

B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

**Evaluation
of the
Common Stock
of
ANGELES CHEMICAL CO.**

**as of
April 30, 1996**

**Prepared by:
Bramstedt & Associates, Inc.
January 1997**

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BRAMSTEDT

and Associates Incorporated

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January 24, 1997

CONFIDENTIAL

Employee Stock Ownership Plan
Administrative Committee
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Attn: Mr. John Locke

Gentlemen:

You have requested we establish the fair market value of the common stock of Angeles Chemical Co. for Employee Stock Ownership Trust (ESOT) purposes as of April 30, 1996.

Our evaluation places a fair market value of \$1,467,603 on the common stock of Angeles Chemical Co. as of April 30, 1996. Based on 54,065 A and B common shares outstanding, the value per share is \$27.15. This evaluation is derived from a modified adjusted book value approach and is discounted for restricted marketability. The valuation conclusion was transmitted orally to John Locke on January 14, 1997.

The valuation report was prepared by Bramstedt & Associates, Inc. as a subcontractor to Sansome Street Appraisers, Inc.

Earnings prospects can change, as can the general economic climate. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

Very truly yours,

BRAMSTEDT & ASSOCIATES, INC.



Eric M. Bramstedt, CFA
President

EMB:ew
enclosure

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I. INTRODUCTION AND SUMMARY

The Administrative Committee of the Angeles Chemical Company, Inc. Employee Stock Ownership Plan has requested that we evaluate the common stock of Angeles Chemical Company, Inc. ("Angeles Chemical," "Anchem" or the "Company") as of plan year end April 30, 1996 in order to determine the minority interest fair market value of the Company's common stock for annual Employee Stock Ownership Plan (ESOP) reporting purposes and for use in common stock transactions involving the Company's ESOP.

At April 30, 1996, Anchem's ESOP owned all 14,065 B common shares of Company common stock (26% of the A and B common stock). During fiscal 1996, Anchem made a \$6,500 cash ESOP contribution.

Company Overview

Anchem is a closely held corporation with no present market for its common stock. It is a regional Southern California liquid chemical distributor whose products are used in industrial, commercial and retail/consumer applications. Sales in fiscal 1996 rose year-to-year (4%) for the first time since the early 1990s to \$6.88 million. The long-term low sales point was \$6.6 million in fiscal 1995 after stabilizing at \$8 million for fiscal 1990-1993. Sales in the mid-1980s were \$12-\$14 million. The Company has recorded operating losses in the 1990s but reported a net profit of \$348,000 in fiscal 1996 on a \$542,000 (net) litigation settlement. This settlement has liquified the Company's balance sheet and in part provides the economic resources to remove and replace underground storage tanks and prospectively repurchase outstanding shares from a retiring stockholder. As of the report date, the Company is forecasting a large fiscal 1997 sales increase and an operating and net profit.

Soil and underground water contamination conditions at Anchem's plant are continuously being monitored and tested, which has required significant on-going testing and other expenses. As of April 30, 1996 no major new environmental liability or remedial responsibility had been revealed, although the Company will have to replace its underground storage tanks and conduct remedial work before the end of the decade.

Like all chemical processors, Anchem and its customers have faced substantial environmental regulations and enforcement in the Los Angeles Basin. These have seriously impacted Anchem's industrial business base and combined with the 1990-1993 California recession caused Anchem's sales to drop 20% in the early 1990s and the incurrence of break even or net losses in 1992-1995.

Given the operating loss history, the ESOP valuation for several years has been prepared on an asset rather than income basis. An adjusted book value approach was employed at April 30, 1994 and 1995 and is again being employed at April 30, 1996. The Company's balance sheet has included a large (shareholder) long-term note since January 1, 1994.

Valuation Criteria

We have valued the common stock of Anchem based upon: (1) the pertinent regulations and principles promulgated by the Internal Revenue Service and the Department of Labor; (2) an analysis of the Company's financial statements, forecasts and other information; (3) discussions with management; (4) analysis of the relevant industry conditions; and other factors.

The basic rules for valuation are laid down in Revenue Ruling 59-60 issued by the Internal Revenue Service in March 1959 (as modified by Revenue Ruling 65-193). The rulings define "fair market value" as follows:

"...the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state, in addition, that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and be well informed about the property and concerning the market for such property."

This definition is widely accepted and used in courts of law and in tax literature and is the most widely used approach in valuing closely held securities. It is the basic definition upon which we have relied in determining the fair market value of the Company's stock. Revenue Ruling 59-60 was issued for estate valuation purposes, but is not limited to that use. It serves as a guide in virtually all valuation situations requiring the determination of fair market value.

In 1988, the Department of Labor (DOL) issued proposed regulations on "Adequate Consideration" which addressed valuation issues affecting Employee Stock Ownership Plans. These proposed regulations endorsed Revenue Ruling 59-60 and set forth other factors to be considered in valuing securities for ESOP purposes. In 1995, the DOL withdrew the proposed regulations; however, ESOP practitioners still consider these proposed regulations in conducting ESOP security valuations.

Consequently, this report has considered the following factors:

- The history of the Company and the nature of the business
- General economic outlook and the outlook of the particular industry
- Book value of the stock and the financial condition of the business
- Earnings capacity of the Company
- Dividend paying capacity
- Whether the enterprise has goodwill or other intangible value
- Sales of stock and the size of the block to be valued
- Market prices of stock of other comparable companies traded on exchanges

These eight factors are fundamental to any appraisal of closely held securities. They are not, however, all-inclusive. Other factors relevant to the subject valuation were also considered, such as the ESOP repurchase liability and its effect on the application of a marketability discount.

Valuation History and Conclusion

This valuation represents an update of prior appraisals of Anchem's common stock for ESOP purposes prepared by this appraiser as a subcontractor to Sansome Street Appraisers, Inc., a wholly owned subsidiary of Menke & Associates, Inc. The following table summarizes our fair market value findings for the past five fiscal years:

Angeles Chemical Co.
Summary of Fair Market Value Determinations
F1996-1992

<u>Date</u>	<u>Aggregate ESOP Value</u>	<u>Per Share</u>	<u>Percent of</u>			<u>Times</u>	
			<u>Sales</u>	<u>Assets</u>	<u>Equity</u>	<u>Gross Profit</u>	<u>Working Capital</u>
4/30/96	\$1,467,603	\$27.15	21.3%	33.7%	81%	0.76X	0.94X
4/30/95	1,187,463	22.00	18.0	37.3	81	0.60	0.99
4/30/94	1,421,555	26.30	20.4	41.2	81	0.64	0.93
4/30/93	1,650,000	30.50	20.4	52.1	92	0.68	1.06
4/30/92	1,621,000	30.00	20.1	51.3	92	0.83	1.10

Based upon our analysis of Angeles Chemical Co., Inc., our experience in the valuation of closely held securities, and the consideration of the factors set forth in this report, we are of the opinion that the aggregate minority interest fair market value of the common stock of Anchem for Employee Stock Ownership Plan purposes as of plan year end April 30, 1996 was \$1,467,603, or \$27.15 per share based upon 54,065 shares of A and B common stock outstanding.

This determination of fair market value is based on an adjusted book value approach and is discounted for restricted marketability.

In January 1994, Anchem's real property in Santa Fe Springs was transferred from the three founder/shareholders to the Company for \$648,000 in the form of Company 14-year notes. The price was negotiated by the principals and does not represent arm's-length fair market value as determined by a fall 1996 independent real estate appraisal. The property's marketability to a third-party buyer is impaired until its environmental problems are cured. In the appraiser's opinion, the face amount of the three (original) \$216,000 7-1/2% 14-year notes may also be well above their third-party fair market value.

Spencer & Jones (S&J) Litigation Award

In August 1994 a Los Angeles Superior Court jury awarded Anchem \$527,000 for economic damages suffered by the Company as a result of alleged improper contractor installation of underground storage tanks and piping in the early 1980s which subsequently caused soil contamination. The defendant, Spencer & Jones (S&J), posted bond and appealed the award. In April 1996, the Appeals Court refused to hear the case and Anchem received a cash litigation settlement of \$640,000 (before expenses) in a damage award including interest. The S&J suit was originally filed in early 1993.

At April 30, 1994, the appraiser did not consider this potential monetary award as a "contingent" asset for valuation purposes. In the valuation at April 30, 1995, some implicit recognition was given to this contingent asset.

II. SCOPE AND LIMITATIONS OF THE VALUATION REPORT

Limitations

The purpose of this valuation report is to determine the fair market value of the common stock of Anchem on a minority interest basis as of plan year end April 30, 1996 for annual ESOP reporting purposes and for use in common stock transactions involving the Company's ESOP. This appraisal is valid only for the appraisal dates specified herein and valid only for the appraisal purpose specified herein. No other purpose is intended or should be inferred.

In preparing this valuation, Bramstedt & Associates has relied upon and assumed the accuracy and completeness of all financial, statistical and other information provided by Anchem. Bramstedt & Associates has also considered information based upon other publicly available sources which it believes to be reliable; however, Bramstedt & Associates and the appraiser do not guarantee the accuracy and completeness of such information and have not independently verified the financial statements and other information. The appraiser is not aware of material omissions or understatements from management and other sources which would affect values contained in this report. The fair market value arrived at herein represents the appraiser's considered opinion based upon the facts and information presented to him. No legal opinion is expressed by this report and its accompanying documents.

This valuation report does not specifically address the financial impact, if any, of matters requiring special expertise or knowledge not generally held by business appraisers. As such, this report does not address in significant detail issues involving toxic contamination, hazardous waste, engineering and structural soundness, litigation and legal concerns, etc.

In preparing this valuation report, a variety of data and assumptions has been used. The financial information on past performance has been gathered from Anchem's financial statements for the past five fiscal years. We have included in Appendix I a copy of Anchem's most recent financial statements, prepared as a compilation, as amended, by Singer, Traynor & Co., CPAs, for the fiscal year ended April 30, 1996.

General expectations of future financial performance for fiscal 1997 have been provided to us by the management of Anchem. Interviews have been held with members of management and with certain outside sources regarding certain Company events.

Neither the appraiser nor Bramstedt & Associates, Inc. has any present or contemplated future financial interest in Anchem, and the fee for this valuation is not contingent upon the fair market value determined. The qualifications of Bramstedt & Associates, Inc. to undertake this valuation are set forth in Appendix II.

The analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

Scope

The marketability of the subject company's stock, the control position of majority shareholders, and the relationship of these factors to the block of stock being valued can affect the concluded value. In valuing a block of stock, IRS Revenue Rulings and court decisions provide a basis for concluding that a discount is valid for an absence of marketability if the value base does not already reflect the lack of marketability. Further, a minority stock interest in a closed corporation is usually worth much less than a proportionate share of the entity value of all the corporate stock. Discounts can range from 10% to 30% or more. When minority interest and lack of marketability discounts are both applied, they are sequential.

This valuation is specifically intended to establish a per-share fair market value for shares to be issued or sold to the Company's Employee Stock Ownership Trust (ESOT). This report does not address the value of the Company as an entity. The value of the Company as a whole, with the attendant rights to control the direction and growth of the Company, to influence or control compensation and dividends, to change management, to acquire other companies and/or business operations, or to sell or merge the Company, may be greater than the total value implied by this valuation. On the other hand, the value of minority interest shares held outside of the ESOT would probably be less than the value determined in this report. An ESOP with a "put" option obligating the Company to repurchase the shares held by participants provides a valid market for such stock. Minority interest shares held outside of the ESOT would by necessity be discounted for their inherent lack of marketability.

III. THE COMPANY

History

Angeles Chemical is a resale/distributor of liquid industrial and consumer product chemicals used in coating and other processes. In fiscal 1996, sales of solvents were \$1.23 million and sales for Bortz were \$5.65 million compared to \$1.83 million and \$4.85 million respectively in fiscal 1995. (In January 1995, the Packaging and Bortz divisions were combined, so historical sales profiles are not directly comparable.)

There continues to be a relative and absolute decline in commercial solvent sales. Specifically, since fiscal 1991 solvent sales have fallen from \$3.9 million to \$1.23 million, while packaging and Bortz sales have gained \$1.8 million to \$5.65 million. Bortz is a packager of paint thinner and finishes for the consumer/retail market and its gross margins are over fifty percent better than those for solvents. Anchem's consumer/industrial sales mix is now 70/30, up from 50/50 in earlier periods.

Since the peak in 1982 at \$16.8 million, Company dollar sales fell 61% to a low of \$6.6 million in fiscal 1995. Sales increased in fiscal 1996 to \$6.88 million, their first upturn since the 1980s. Physical volume declined even more because of periodic price increases. The 15-year sales drop reflected the loss of major accounts as many commercial customers moved out of Southern California or changed their supplier source away from Southern California. The ever-increasing environmental regulations in Greater Los Angeles have created an expensive and difficult operating circumstance for chemical processors and distributors and their customers. The 1990-93 recession in the region was also a depressing factor. Management continues to emphasize less environmentally sensitive consumer products.

In fiscal 1996, Anchem had about 70 active industrial customers and 400 in the packaging division, compared to 119 industrial and 362 packaging in fiscal 1995. Most are located in Southern California. Ellis Paint Company, owned by Robert Berg, an Anchem founder and shareholder, is an important customer.

Anchem's basic raw materials are these organic chemicals — propylene, glycol, toluene, ethylene glycol, acetone, mineral spirits and alcohols. These are forms of petroleum distillates which are purchased from Shell, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and four above-ground tanks (old railroad tank cars): one of 10,000 gallons capacity and three of 6,000 gallons each. Many of the storage tanks are not now used given the decline in sales and volume since the 1980s.

As of April 1996, Anchem had 28 full-time employees, unchanged from a year earlier.

Anchem carries a \$2 million product liability insurance policy.

Company Facilities and Property

Anchem operates out of administrative offices and packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The land, structures and improvements are Company-owned. On January 1, 1994, title for the 1.8 acre land parcel was transferred from a partnership of the three founding and two current shareholders to the Company in consideration of three equal 14-year \$216,000 notes (aggregating \$648,000) paying 7.5% annual interest. The total yearly principal and interest payments of \$72,000 equal the former rent paid to the partnership and the transaction was therefore cash flow neutral to Anchem (on a pretax basis).

The land transfer price was determined by the three parties on other than an arm's-length "third party" negotiated basis and which basis was not specifically disclosed to the appraiser. In November 1996, a "limited appraisal" of the real property was prepared by Thomas M. Pike, Jr., MAI. Mr. Pike rendered an opinion of value of \$535,000 to \$625,000 assuming a market exposure of 6 to 12 months. This valuation assumed the property was not encumbered with environmental problems and clean-up costs. Based on his observations and discussion with Mr. Pike and SCS Engineers, the appraiser believes property ownership could be deemed transferable to a third party at market value after the removal of underground storage tanks, contaminated soil, etc. has been completed and appropriate regulatory agency certification is received. As of the appraisal date, the fair market value of the property is significantly impaired and is well below the \$648,000 stated book value. This circumstance is reflected in the valuation conclusion.

In addition to its Santa Fe Springs facility, Anchem rents a warehouse in Santa Fe Springs for decorating containers and moved its distribution activity from Los Angeles to a rented warehouse in El Monte in November 1995.

Samson Chemical Co. Joint Venture

On March 31, 1991, Anchem entered into a five and a half year agreement with Saramco, Inc., dba Samson Chemical Co., to operate on a joint venture basis for five years beginning October 1, 1991. Under the agreement, on September 30, 1996 Samson ceased operations and transferred to Anchem its distributor relationships and its business and customer accounts.

On a combined basis, Anchem/Samson sales in fiscal 1996 were \$9.8 million, indicating Samson's sales are running at \$2.9 million annually. Samson's income (as defined by the agreement) is shared equally by the partners. In fiscal 1996, Anchem's income share was booked at \$90,000 versus \$120,000 in fiscal 1995.

Anchem also has a distribution agreement with East Bay Oil, a Northern California chemical distributor, and a Phoenix warehouse to further broaden its customer, business and geographic base and replace lost sales in the Los Angeles Basin.

Management and Ownership

The Company senior management as of April 1996 consisted of:

<u>Officer</u>	<u>Title</u>	<u>Joined Co.</u>	<u>Age</u>
John Locke	President, CEO	1971	69
Robert Berg	Secretary/Treasurer	1971	64
Robert Easter	President - Samson Chemical	1990	63
James Locke	Operations Manager	1985	32
Tim Mahoney	Controller	1990	39

John Locke has indicated that he may retire as an active officer when he turns 70 but may continue as a consultant. As of fall 1996, Mr. Berg indicated his intent to retire from the Company and sell his 20,000 "A" shares and approximate ESOP account 3,900 "B" shares to the Company and Mr. John Locke on a part cash, part deferred payment basis. As of January 1997, negotiations on the price and terms of this stock buyback had not been completed. Since this event was reasonably forecastable at the time of the litigation settlement in April 1996, it is a consideration in the ESOP valuation as of April 30, 1996.

Tim Mahoney has resigned as Controller as of December 31, 1996 and is functionally being replaced by Ted Singer of Singer Traynor & Co., Anchem's accountancy company.

The Board of Directors consists of John Locke, Robert Berg, and Arnold Rosenthal, all founders.

As of April 30, 1996 there were 40,000 Class A and 14,065 Class B common shares outstanding (excluding treasury stock) as follows:

<u>Holder</u>	<u>Number of Shares</u>	
John Locke	20,000 A shares	37%
Robert Berg	20,000 A shares	37
ESOP	<u>14,065</u> B shares	<u>26</u>
Total	<u>54,065</u> A&B shares	<u>100%</u>

Class A common stock is voting and Class B is nonvoting. Otherwise, the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraisers or by Bramstedt & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues.

Environmental Issues Update

The valuation studies for the fiscal years ended September 1989 through 1992 discuss in detail the regional agencies which regulate Anchem's operating and environmental activities. According to management and SCS Engineers, its environmental consultant, as of April 30, 1996 the Company had no environmental agency violations or citations.

However, beginning in fiscal 1993 and continuing into fiscal 1997, Anchem and SCS are working with the California EPA on its on-site program to investigate for possible groundwater contamination relating to an adjacent California Super Fund site (McKesson property). In this connection, Anchem incurred state fees and incremental services from SCS.

The prior reports discuss testing and related work for soil and groundwater contamination continually undertaken by the Company and SCS since 1989 which so far have found soil and ground water problems which have not been completely characterized. No major remedial work has yet been undertaken. By 1998, Anchem could be required to start replacing its underground tanks on a progressive basis. In August 1996, Anchem received a preliminary cost estimate for tank pull and replacement, contaminated soil removal and ground water remediation from Bio Base Remediation Co., Inc. of Newport Beach, California of \$624,640 as follows:

• Tank Pull (32 tanks)	\$154,000
• New Tanks (15)	230,640
• Remediation/Related Work	<u>240,000</u>
Total Estimate	<u>\$624,640</u>

No timeframe was given for this work, nor is a specific funding source indicated. Some financing is available from the litigation settlement and some may be generated from operating cash flow over time; however, there is no assurance that Anchem will be able to fund this program in a reasonable time period. Some reimbursement may be available from the State of California. By interpolation, the estimated cost to render the property "marketable" would be about \$400,000 (\$625,000 less \$230,000 for new tanks).

By its business nature, Anchem continues to incur legal, testing, remedial and consultant costs. The appraiser does not believe the Company has been able to pass these costs, which have become material, through to its customers, thereby impacting profit margins. SCS consulting costs have fluctuated but in fiscal 1995-96 were averaging \$5,000 a month. SCS worked with management and counsel on the S&J suit.

Beginning in January 1995, Anchem is participating, as required by its major supplier contracts, in a comprehensive storage, operational, health, safety, environmental and emergency response program called "Responsible Distribution Process" created by the National Association of Chemical Distributors, who will sponsor on-site audits. A full-time compliance and safety officer reports to Operations Manager Jim Locke. Employee training for RDP is required. There have been incremental costs for implementing the program.

Ongoing environmental encumbrances on Anchem's business and profits have been reflected in the valuation conclusions since fiscal 1989.

The Economy

The following discussion and analysis of the national economy for the second quarter of 1996 is based upon a review of current economic statistics, articles in the financial press and economic reviews found in current business periodicals, as prepared by Mercer Capital. The purpose of the review is to provide a representative "consensus" review of the condition of the national economy and its general outlook at the end of the second quarter of 1996.

General Economic Overview. Real Gross Domestic Product ("real GDP"), the output of goods and services produced by labor and property located in the United States, increased at an annualized rate of 4.2%, or about \$70.8 billion, in the second quarter of 1996, according to preliminary estimates released by the Department of Commerce's Bureau of Economic Analysis ("BEA"). In the first quarter of 1996, revised growth in real GDP was 2.0%, or about \$33.6 billion, and lower than the originally reported annualized rate of 2.8%. Growth in real GDP for all of 1995 was 2.0%, down from 2.2% and 2.7% for 1993 and 1994, respectively, and the lowest since a 1.0% recessionary decline in 1991. According to the BEA, the second quarter GDP results reflected increases in most sectors of the economy except nonresidential construction and net exports. Typical of most robust quarterly GDP growth measures, personal consumption and governmental spending represented the largest increases.

The Composite Index of Leading Economic Indicators, the government's primary forecasting gauge, ended the second quarter with a strong 0.5 increase in June to 102.9 (1987 = 100), an all-time high for the measure, according to The Conference Board. The index attempts to gauge economic activity six to nine months in advance. Multiple consecutive moves in the same direction are said to indicate of the general direction of the economy. The index has increased five months consecutively and six of the last seven months since December of 1995. The index's overall performance suggests that the economy will continue a strong pattern of growth.

Financial markets recovered in April after a late first quarter stall in an otherwise surprisingly strong equity environment. However, early strength gave way to speculation that interest rates would soon rise while both the high-tech sector and blue chip companies were showing signs of weakening performance via lower than anticipated earnings. By the end of the 2nd quarter, equity markets had flattened and were beginning to decline. Market observers note that, for the first half of 1996, new mutual fund investment activity had already exceeded that experienced in all of 1995. Many analysts have doubts as to the sustainability of that pace and suspect that the markets may be in for a near-term correction. Contrary to the generally favorable equity markets, the bond markets suffered significant setbacks throughout most of the second quarter but managed to show a modest uptick in late June on speculation that the Federal Reserve might leave interest rates unchanged.

The consensus outlook for the economy during the second half of 1996 suggests better than expected growth with increasing inflationary pressures. Growth in GDP is estimated to be near 2.5% with inflation falling between 3.0%-3.5% and unemployment levels remaining below 6.0%.

Consumer Spending and Inflation. The seasonally adjusted annualized rate of inflation for the three-month period ended in June was 3.2%, compared to 4.0%, 2.4%, and 1.6%, respectively, for the prior three quarters. The outlook among most economists is for inflation to increase

somewhat during the second half of 1996, and that inflation for the entire coming year should approximate 3.0%-3.5%. According to the Commerce Department, retail sales for the month of June showed a decrease of 0.5% (revised from an originally reported decline of 0.2%).

The Stock and Bond Markets. The Dow Jones Industrial Average ("DJIA") closed the second quarter at 5654.6, an increase of only 1.2% for the quarter. The Standard and Poor's 500 Composite Index gained 3.9% during the second quarter to close at 670.63. The technology-laden NASDAQ Composite Index gained 7.6% during the second quarter to close at 1185.02 after gaining 4.7% in the first quarter of 1996. The bond market continued its unfavorable performance through most of the second quarter.

Interest Rates. The Federal Reserve ("Fed") left short term interest rates unchanged after the May 21st meeting of its Open Markets Committee. Despite some significant concerns about the course of economic growth and rising inflation, the Fed remained idle, seemingly deliberate in its attempts not to spark any controversy during the politically sensitive national campaign period.

Construction, Housing and Real Estate. According to the U.S. Commerce Department's Bureau of the Census, new privately owned housing starts increased to a seasonally annualized rate of 1.48 million units in June, or about 1% higher than revised May estimates of 1.46 million units. Overall activity for 1996 through June reflects an increase of about 14% from the same period one year ago.

Employment. According to the Labor Department's Bureau of Labor Statistics, unemployment levels during the second quarter plunged to 5.3% in June after rising to 5.6% in May from 5.4% in April. Strong employment data has recently been a primary negative component in the financial markets with generally higher than 1995 job creation thus far in 1996. Most analysts estimate that unemployment levels below 6.0% are likely to persist throughout the balance of 1996.

Summary and Outlook. Economic growth was a surprising 4.2% in the second quarter of 1996, after slowing considerably at the end of 1995 and registering a revised 2.0% annualized rate in the first quarter. Consensus estimates of growth in GDP for 1996 hover near 2.5%.

California Economy. As of fall 1996, California's economy was continuing its multi-year recovery from the severe early 1990s recession, particularly in Southern California. Personal income, taxable sales, non-farm employment and other economic indicators all showed expansion at or above the national rate. The state's unemployment rate dropped below 7.0% for the first time in many years but is still above the national 5.2% rate. The Federal Reserve Bank of San Francisco and other sources predict another solid state performance in 1997. An anomaly in the current expansion has been the failure so far of residential construction to recover above the 100,000 unit level for a variety of economic and demographic reasons. The FRB is forecasting some improvement in this sector in 1997. (The peak was 300,000 housing units in 1986.)

Financial Analysis and Review

Anchem has provided Bramstedt & Associates with financial statements for the fiscal years 1992-1996. These financial statements have been thoroughly examined and discussed with management. A copy of the Company's financial statement for the fiscal year ended April 30, 1996, as amended, and prepared as a compilation (without footnotes) by Singer, Traynor & Co., CPAs, is attached as Appendix I.

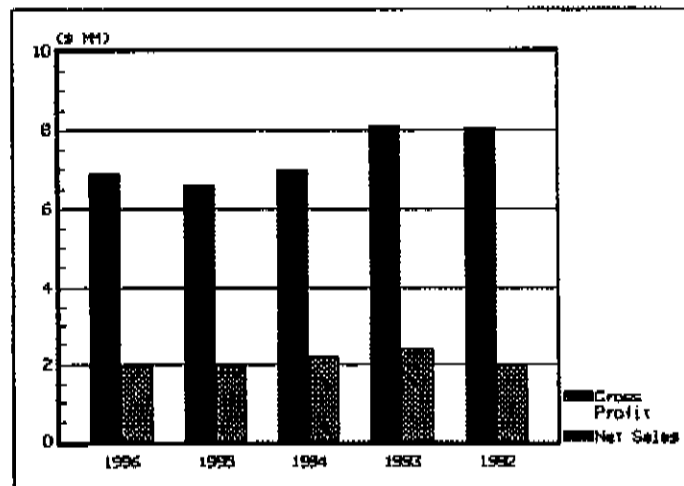
The results of our review and analysis of Anchem's financials are contained in the exhibits outlined below:

Exhibit A	Comparative Income Statement, FY1992-1996
Exhibit B	Comparative Balance Sheets, FY1992-1996
Exhibit C	Selected Financial Ratios, FY1994-1996

These exhibits are presented at the end of this section of the report. The following comments and observations are based upon Bramstedt & Associates' review and analysis of the Company's financial statements. Saramco's operations are not consolidated but are incorporated in a one-line (miscellaneous) income entry, "income split - Samson."

Exhibit A contains Anchem's comparative operating statement in terms of dollars and dollars as a percent of sales for the period fiscal 1992-1996.

Angeles Chemical Co.
Gross Profit & Sales
F1996-1992



Sales of \$6.88 million in fiscal 1996 were up 4.0% from fiscal 1995. COGS rose a greater 6.6% to \$4.96 million (72.1%) in fiscal 1996. Gross profit was flat at \$1.92 million (27.9%). Gross margin in fiscal 1995 was 29.7%.

Operating expenses were down 3.1% to \$2.15 million (31.3%) in fiscal 1996. Higher salaries and wages were offset by lower outside labor and truck expenses. The Company reclassified in fiscal 1995 its contamination and clean-up costs (of \$168,000) to "other expense" rather than showing it as an operating expense. In fiscal 1996, this category showed an income of \$542,000, reflecting the litigation award net of expenses.

Flat year-to-year gross profits and operating expenses translated into a modest fall-off in operating loss to \$231,000 (3.3%) in fiscal 1996. Anchem has recorded operating losses throughout the 1990s.

Net other income was \$640,000 (9.3%) in fiscal 1996, boosted by the lawsuit award, compared to \$18,000 in fiscal 1995. Similarly, pre- and post-tax profit was augmented to \$360,000 (5.2%) and \$347,000 (5.1%) respectively in fiscal 1996 from losses pre- and post-tax of \$289,000 in fiscal 1995. At April 30, 1995, Anchem had a net operating tax loss carryforward which was used to shelter the litigation award income.

Exhibit B contains Anchem's comparative balance sheet in terms of dollars and dollars as a percent of assets for the period fiscal 1992-1996.

With the property acquisition at January 1, 1994, Anchem's balance sheet profile changed with an increased fixed plant component, although current assets are still 81% of total assets of \$4.36 million at April 30, 1996. Also for the first time and since fiscal 1994, Anchem has significant long-term debt in the form of a 14-year 7.5% \$611,000 note (as of April 30, 1996) payable equally to two current and one former shareholder — on which annual principal and interest payments aggregate \$72,000. Thus Anchem has become more leveraged and capital intensive. The profile further changed at April 30, 1996 with the litigation settlement as the Company became relatively more liquid and financially solvent.

At April 30, 1996, current assets were \$3.5 million (80.7% of total assets), up 50.9% from \$2.3 million (73.2%) at April 30, 1995 as follows:

- Due from litigation — \$640,000 (14.7%) versus zero at April 30, 1995
 - Cash and equivalents — \$280,000 (6.4%), up \$201,000
 - Accounts receivable — \$1.05 million (24.2%), up 35.2%
 - Inventories — \$1.23 million (28.2%), up 21.3%
 - Other — \$317,000 (7.2%), down 31.4%
- (see Schedule 2, Appendix I for list of deferred charges)

At April 30, 1996, net fixed plant was unchanged at \$827,000 (19.0%). Other assets (Samson investment) dropped to \$13,000 (0.3%). Total assets were up 36.8% to \$4.36 million.

Current liabilities at April 30, 1996 were \$1.97 million (45.1% of total liabilities and equity), up 73% from \$1.13 million (35.7%) a year earlier as follows:

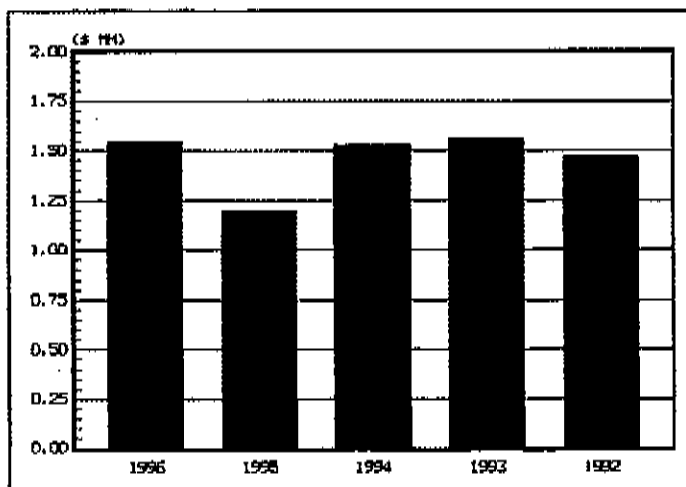
- Accounts payable — \$1.53 million (35.2%), up 54%.
- Drum deposits — \$7,000, unchanged
- Bank and other notes payable — \$330,000 (7.6%) versus \$62,000 (2.0%) at April 30, 1995 on the incurrence of a \$269,000 short-term bank note
- Accrued expenses — \$60,000 (1.4%), up 36.4%
- Current portion - debt — \$35,000 (0.8%), up 29.6%

The long-term note of \$580,000 (13.3%) at April 30, 1996 was unchanged.

Shareholders' equity rose 23.7% to \$1.8 million (41.6%) at April 30, 1996 on the net profit and to the level of fiscal years 1991-1994.

Exhibit C presents selected financial and operating ratios for fiscal years 1996-1994. For fiscal 1996, many of these ratios are distorted by the large litigation settlement (income). It shows some stabilization in current and quick ratios to 1.78X and 1.00X respectively at April 30, 1996.

Angeles Chemical Co.
Working Capital
F1996-1992



Working capital, which is composed of cash due from litigation, accounts receivable, cash and equivalents, inventory, accounts payable and short-term debt, rose 30% to \$1.55 million in fiscal 1996 from fiscal 1995 and back to the fiscal 1993-94 levels. The sales to working capital ratio decreased to 4.4 times from 5.5 times at April 30, 1995. Inventory turns dropped to 4.0 times in fiscal 1996 from 4.6 times in fiscal 1995 on higher inventory.

Appendix I contains a statement of cash flows for fiscal 1996 which is summarized and compared to fiscal 1995 and 1994 as follows:

	<u>F1996</u>	<u>F1995</u> ---(000)---	<u>F1994</u>
Net cash from (used):			
Operating activities	(\$138)	(\$271)	\$ (9)
Investing activities	67	54	(599)
Financing activities	<u>272</u>	<u>(48)</u>	<u>636</u>
Net change in cash	<u>(\$201)</u>	<u>(\$266)</u>	<u>\$ 28</u>

The litigation award, which was completely collected by late fall 1996 and therefore equal to cash created an enhancement in the Company's overall financial position and a liquidity improvement at April 30, 1996. During fiscal 1996, Anchem used cash, bank loans and higher accounts payable to fund increases in accounts receivable and inventories. One use of the lawsuit awards is to reduce the bank loan and unusually high payables.

Management is projecting improved sales and an operating profit for fiscal 1997, which if achieved would be the first this decade. This forecast is supported by strong sales improvement and operating income for the six months to October 31, 1996.

ANGELES CHEMICAL CO.

Exhibit A

Comparative Income Statement, FY1996-1992
((\$000))

FYE 4/30:	<u>1996</u>		<u>1995</u>		<u>1994</u>		<u>1993</u>		<u>1992</u>	
Net Sales	\$6877	100.0%	\$6615	100.0%	\$6976	100.0%	\$8103	100.0%	\$8051	100.0%
Cost of Sales	4956	72.1	4648	70.3	4764	68.3	5691	70.2	6105	75.8
Gross Profit	1922	27.9	1967	29.7	2211	31.7	2412	29.8	1946	24.2
Operating Expenses	2153	31.3	2222	33.6	2422	34.7	2535	31.3	2107	26.2
Operating Income (Loss)	(231)	(3.3)	(255)	(3.8)	(211)	(3.0)	(123)	(1.5)	(161)	(2.0)
Other Income	640	9.3	18	--	173	2.5	182	2.2	177	2.2
Other Expense (Interest)	49	1.0	51	(0.8)	16	(0.2)	6	(0.1)	(8)	(0.1)
Pretax Income (Loss)	360	5.2	(288)	(4.4)	(54)	(0.8)	53	0.7	8	0.1
Provision for Taxes	<u>13</u>	0.2	<u>1</u>	--	<u>1</u>	--	<u>4</u>	--	<u>(3)</u>	--
Net Income (Loss)	<u>\$ 347</u>	5.1	<u>\$(289)</u>	(4.4)	<u>\$(54)</u>	(0.8)	<u>\$ 49</u>	0.6	<u>\$ 5</u>	--

SOURCE: Company financial statements (unaudited).

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ANGELES CHEMICAL CO.

Exhibit B

Comparative Balance Sheet
1996-1992
(000)

As of 4/30:	1996		1995		1994		1993		1992	
Current Assets:										
Cash and liquid investments	\$ 280	6.4%	\$ 79	2.5%	\$ 345	10.0%	\$ 317	10.0%	\$ 292	9.2%
Accounts receivable	1053	24.2	790	24.5	1207	35.0	1494	47.0	1534	48.5
Inventories	1228	28.2	1012	31.7	886	25.7	920	29.0	875	27.7
Due from litigation	640	14.7	--	--	--	--	--	--	--	--
Due from affiliated companies/other	317	7.2	462	14.5	177	5.1	197	6.2	174	5.5
Total	3520	80.7	2333	73.2	2614	75.7	2928	92.2	2875	90.9
Land	648		648		648		--		--	
Other Fixed Assets at Cost	1750		1715		1653		1746		1747	
Accumulated Depreciation	(137)		(1540)		(1490)		(1523)		(1493)	
Net Fixed Assets	827	19.0	823	25.8	811	23.5	223	7.0	254	8.0
Other Assets	13	0.3	32	1.0	27	0.8	24	0.8	32	1.0
Total Assets	\$4360	100.0	\$3187	100.0	\$3452	100.0	\$3175	100.0	\$3161	100.0
Current Liabilities:										
Accounts payable	\$1535	35.2	\$ 997	31.3	\$ 864	25.0	\$1112	35.0	\$1220	38.6
Deposits	7	0.2	7	0.2	68	2.0	60	1.9	60	1.9
Bank and other notes payable	330	7.6	62	2.0	85	2.5	85	2.7	70	2.2
Accrued expenses	60	1.4	44	1.4	44	1.3	109	3.4	51	1.6
Current debt portion	35	0.8	27	0.8	25	0.7	--		--	
Total	1967	45.1	1137	35.7	1086	31.5	1366	43.0	1401	44.3
Long-Term Liabilities	580	13.3	584	18.3	611	17.7	--		--	
Shareholder Equity	1814	41.6	1466	46.0	1755	50.8	1809	57.1	1760	55.7
Total Liabilities & Equity	\$4360	100.0	\$3187	100.0	\$3452	100.0	\$3175	100.0	\$3161	100.0

SOURCE: Company financial statements (unaudited).

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ANGELES CHEMICAL CO.

Exhibit C

Selected Ratio Analysis
FY1996-1994

	FY 4/30:	<u>1996</u>	<u>1995</u>	<u>1994</u>
<u>Liquidity Ratios</u>				
Current (Current Assets divided by Current Liabilities)		1.78	2.05	2.41
Quick (Cash & Accounts Receivable divided by Current Liabilities)		1.00	0.76	1.43
Working Capital (\$000)		1553	1196	1528
Sales/Receivables (Sales divided by Accounts Receivable)		6.5	8.5	5.8
Sales/Working Capital (Sales divided by Working Capital)		4.4	5.5	4.6
Cost of Goods Sold/Inventories (Cost of Goods Sold divided by Inventories)		4.0	4.6	5.4
<u>Coverage Ratios</u>				
EBIT/Interest (Earnings before Interest & Tax divided by Interest Expense)		8.3	Neg.	Neg.
Cash Flow/Maturity LTD (Net Income + Depreciation Expenses divided by Note Payable and Current Debt)		1.06	Neg.	Neg.
<u>Leverage Ratios</u>				
Debt/Worth (Total Liabilities divided by Net Worth)		1.40	1.17	0.97
Long-Term Liabilities/Worth (Liabilities over one year divided by Net Worth)		0.32	0.40	0.35
<u>Operating Ratios</u>				
Total Asset Turnover (Sales divided by Average Total Assets)		1.6	2.0	2.02
Return on Equity (Net Income divided by Average Stockholders' Equity)		21.2%	(17.9%)	(3.0%)
Return on Assets (Net Income divided by Average Assets)		9.2%	(8.7%)	(1.6%)

Neg. = Negligible

SOURCE: Company statements and Bramstedt & Associates.

BR000022

IV. VALUATION

In arriving at a minority interest fair market value determination for Anchem, Bramstedt & Associates has considered the relevant factors set forth in Revenue Ruling 59-60 with regard to the valuation of closely held companies and in the Department of Labor's (DOL) proposed regulations on "Adequate Consideration" as they relate to the valuation of securities for Employee Stock Ownership Plan purposes. The following comments represent our findings with regard to those specific factors outlined in Revenue Ruling 59-60 and the DOL's proposed regulations on "Adequate Consideration" as they pertain to the valuation of Anchem. The following references to Revenue Ruling 59-60 implicitly include the DOL's proposed regulations.

Book Value

Revenue Ruling 59-60 states that the appraiser should consider book value when valuing a closely held company. Anchem's stated book value was \$1,813,671 or \$33.55 a share as of April 30, 1996.

Normally, book value or adjusted book value is not afforded much weight or consideration in the valuation of an operating company such as Anchem. Such type companies are normally valued on earnings and/or cash flow capacity. Because of depressed operating results, the appraiser chose to use book value as fair market value for ESOP purposes as of April 30, 1987 and has used it as a valuation reference since then.

Dividend History, Capacity and Probability

Revenue Ruling 59-60 suggests that the appraiser consider dividends and dividend paying capacity in valuing closely held securities. Anchem has recorded a small profit in only two of the past five years.

The Company has not paid any dividends on its common stock and has no intention of changing this policy at this time. This policy is quite appropriate for a small, private company which is owned by shareholders who neither rely upon nor expect dividend income and which company has not been profitable.

Normally, earnings reinvested in the growth of a company can be expected to earn at a greater return than dividend income invested in other investment opportunities with similar risks and prospects. Consequently, shareholders will ultimately benefit from the current policy to reinvest earnings in the Company's growth rather than to pay cash dividends.

Guideline Companies — Publicly Traded

Revenue Ruling 59-60 suggests that the appraiser consider the market price of stocks of corporations engaged in the same or a similar line of business having their stock actively traded in a free and open market or over the counter. Bramstedt & Associates has made an exhaustive search for public companies which can be deemed to be similar to Anchem. No single company proved to be a worthy publicly traded guideline company. Public companies are generally much larger and more diverse both geographically and in business operations.

Cash Flow and Earnings Capacity

Pre-1987 ESOP valuations by Charles Stark, PC, appear to rely on conclusions derived from capitalizing five-year average of net income, aftertax cash flow and pretax available cash flow, among other methods. Aftertax cash flow is net income plus depreciation. Available cash flow is pretax income plus ESOP contribution plus depreciation. Depreciation in fiscal 1993, 1994, 1995 and 1996 was \$44,000, \$49,000, \$50,000 and \$41,000 respectively. ESOP contributions were \$16,200 in fiscal 1993, \$8,000 in fiscal 1994, none in fiscal 1995 and \$6,500 in fiscal 1996. Anchem's earnings and cash flow as just defined for fiscal 1996 to 1993 are shown below:

Period	Net Income (Loss)	Cash Flow	
		Available	After Tax
F1996	\$347,000	\$407,000	\$388,000
F1995	(289,000)	(238,000)	(239,000)
F1994	(54,000)	3,000	(5,000)
F1993	49,000	113,000	93,000

Note: Figures have been rounded.

Because of the erosion of the Company's earning and cash generating power, the income methodology is not now being used. The fiscal 1996 profit is entirely from the litigation award.

Valuation Issues — General

Due to insufficient demonstrable earning power and thin cash flow prospects, Bramstedt & Associates and the appraiser once again must look to the balance sheet (asset approach) for valuation purposes as in fiscal 1993-1995, when we employed an adjusted or modified book value approach.

Generally, capitalization of income and cash flow streams is the appropriate methodology for determining the equity fair market value of an operating company such as Anchem. The decision to utilize adjusted book value (and working capital) in the recent past is based on the factors discussed in these and prior reports and the appraiser's experience and knowledge in deriving equity values of closely held companies.

Since the Company "booked" the underlying real estate with the related debt in fiscal 1994, the valuation method was reexamined for fiscal 1994. As Anchem has long-term debt, working capital does not accrue directly to the shareholders and it was therefore not applicable as an equity value indicator as was the case in fiscal 1993's valuation study. An adjusted book value method is subsequently employed.

Valuation Issues — Spencer & Jones Litigation Award

The significant contingent asset created by the Los Angeles Superior Court jury award as appealed of the then-\$527,000 was accorded some "implicit" valuation consideration at April 30, 1995. The assumption was that proceeds from an actual award would be applied by the Company in several ways (not necessarily all inclusive):

- Remedial work and storage tank replacement
- Pay down shareholder notes or bank debt
- General capital improvements to increase operating efficiency and for working capital
- Repurchase company/ESOP stock from John Locke or Robert Berg

The decision and discretion on the application of the court award clearly rests with the control shareholder/officer(s) John Locke and, conceptually, Robert Berg. A minority Anchem shareholder — the ESOP — does not receive any direct financial benefit except that the Company's overall economic position is enhanced and financial risk lowered.

This is in fact what is occurring: Anchem has substantially paid down its short-term bank debt subsequent to April 30, 1996; it is negotiating to repurchase Mr. Berg's stock; and it can dedicate some of the funds to tank removal, remediation, etc.

Valuation Conclusion

At April 30, 1996, Anchem's stated book value was \$1,813,671, to which adjustments are made for the estimated fair market value of the real estate and shareholder notes and a discount for restricted marketability.

Real Estate Adjustment for Company Land

Stated or carrying value at April 30, 1996	\$648,000
Estimated market value (clean)	\$575,000
Estimated clean-up costs (ex new tanks)	(400,000)
Adjusted "market value"	\$175,000
Consequent adjustment to book cost	(\$473,000)

Adjustment to 14-Year 7-1/2% Shareholder Notes

Financial statement amount outstanding at April 30, 1996	\$580,000
Risk and quality mark-down	(290,000)
Estimated fair market value	\$290,000
Consequent adjustment to book value	(\$290,000)

Based on his knowledge and analysis of Anchem, the Company's recent unprofitable operating record, poor note interest and asset coverage, and the bond's restricted marketability, the appraiser believes a knowledgeable third party investor would require an effective 15% high risk bond yield (or about twice the 30 year T-bond rate), thus effectively reducing the bond's trading value by 50%.

Angeles Chemical, Inc.
Determination of ESOP Fair Market Value (FMV)
April 30, 1996

Stated Book Value	\$1,813,671
Mark to Market:	
Land - deduct	(473,000)
Shareholder note - add	<u>290,000</u>
Adjusted Book Value	\$1,630,671
Less 10% Discount for Restricted Marketability	<u>163,067</u>
ESOP FMV	<u>\$1,467,604</u>
On 54,065 A & B Shares	<u>\$27.15/share</u>

This valuation approach produces an indicated fair market value (FMV) for ESOP purposes of the equity ownership of Angeles Chemical as of April 30, 1996 of \$1,467,603 or \$27.15 per share on 54,065 A and B common shares outstanding. This is 81% of book value and 21% of sales (see page 3).

As of the ESOP plan year which began May 1, 1987, the ESOP Administration Committee set a policy of paying plan participants terminated for reasons other than retirement at age 65 in five annual cash pay-outs commencing on the first anniversary of termination. Terminated plan participants sell 20% of their stock to the ESOP in each of five years at the fair market value applicable for each year. Accordingly, the above derived value reflects a discount of 10% or the same as applied at April 30, 1995. This marketability discount conceptually reflects the time value of money under the deferred pay-out program now in effect.

Recent Stock Sale and Valuation

Revenue Ruling 59-60 suggests that arm's-length sales to knowledgeable unrelated third parties in the recent past would be a basis for valuation.

There have been no such recent transactions.

V. CONCLUSIONS

Based on our experience and general knowledge in determining the value of closely held companies and upon the consideration of all factors previously discussed, Bramstedt & Associates is of the opinion that the fair market value of the outstanding common stock of Angeles Chemical Co. for ESOT purposes is \$1,467,603 or \$27.15 per share as of April 30, 1996 on 54,065 Class A and B shares outstanding. This valuation is based on an adjusted or modified book value approach.

Specific positive factors concerning Anchem were: the favorable resolution of the Spencer & Jones litigation and the favorable financial and economic impact of the \$640,000 award; a slight fiscal 1996 sales increase, the first sales uptick in several years; forecast for sales increase and an operating profit in fiscal 1997; and a recovering California economy.

Unfavorable factors were: the hostile operating environment for small chemical processors in heavily populated urban areas such as Los Angeles with the attendant ongoing compliance costs; the sixth consecutive year of operating losses; the substantial and only partially financed costs for underground storage tank replacement and related clean-up costs and the prospective financial impact of the ESOP/Berg stock repurchase.

This valuation is as of April 30, 1996; and, since it is based upon recent financial statements, it should be valid for the near future. However, it is imperative to recognize that the dynamics of the industries served and general economic conditions can change and invalidate this evaluation. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

APPENDIX I

ANGELES CHEMICAL CO., INC.

INDEX

1. Accountant's Compilation Report
2. Balance Sheets
3. Statements of Income and Retained Earnings
4. Statements of Cash Flow
5. Other Income (Expenses) - Schedule 1
6. Balance Sheet Schedules - Schedule 2

SINGER, TRAYNOR & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
500 Citadel Drive, Suite 300
Los Angeles, CA 90040

October 21, 1996

Angeles Chemical Co., Inc.
8915 Sorensen Ave.
Santa Fe Springs, CA 90670

The accompanying balance sheets of Angeles Chemical Co., Inc. as of April 30, 1996 and April 30, 1995 and the related statements of income and retained earnings and cash flow for the years then ended, have been compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Singer, Traynor & Co.
Singer, Traynor & Co.
Certified Public Accountants

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Angeles Chemical Co., Inc.

BALANCE SHEETS

April 30, 1996 and April 30, 1995

ASSETS

	<u>1996</u>	<u>1995</u>
<u>CURRENT ASSETS</u>		
Cash	280,057.52	78,714.32
Accounts Receivable (Net of Bad Debts Allowances of \$5,000.00 and \$5,000.00 Respectively)	1,055,201.72	780,060.21
Inventories (Lower of Cost, FIFO or Market)	1,228,538.89	1,012,310.16
Due from Stallion Tank Lines, Inc.	30,228.28	49,841.28
Due from Samson Chemical Co.	173,799.85	259,210.16
Due from Litigation	640,000.00	-
Due from Other	450.00	-
Employee Advances	21,958.36	16,970.96
Deferred Charges - Schedule 2	89,942.29	135,520.52
<u>TOTAL CURRENT ASSETS</u>	<u>3,520,176.91</u>	<u>2,332,627.61</u>
<u>FIXED ASSETS</u> (at Cost)		
Land	648,000.00	648,000.00
Office Trailers	99,568.00	99,568.00
Trucks & Autos	212,632.00	189,801.00
Tanks & Plant Equipment	830,643.00	822,673.00
Furniture & Fixtures	241,765.00	237,148.00
Plant	365,599.00	365,599.00
<u>TOTAL</u>	<u>2,398,207.00</u>	<u>2,362,789.00</u>
Less: Accumulated Depreciation	<u>1,570,967.00</u>	<u>1,540,099.00</u>
<u>BOOK VALUE</u>	<u>827,240.00</u>	<u>822,690.00</u>
<u>OTHER ASSETS</u>		
Deposits	6,080.00	2,580.00
Investment in Samson Chemical Co.	<u>6,786.51</u>	<u>29,113.87</u>
<u>TOTAL OTHER ASSETS</u>	<u>12,866.51</u>	<u>31,693.87</u>
<u>TOTAL ASSETS</u>	<u>4,360,283.42</u>	<u>3,187,011.48</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

<u>CURRENT LIABILITIES</u>		
Accounts Payable	1,535,368.59	997,558.73
Accrued Liabilities - Schedule 2	47,611.76	44,049.42
Income Taxes Payable	12,011.00	-
Note Payable - Bank of Whittier	268,636.13	-
Note Payable - Other	61,153.41	61,647.92
Drum Deposits	7,000.00	6,905.00
Term Debt - Current - Schedule 2	<u>34,942.56</u>	<u>27,105.66</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>1,966,723.45</u>	<u>1,137,266.73</u>
<u>TERM DEBT -Schedule 2</u>	<u>579,888.70</u>	<u>583,741.56</u>
<u>SHAREHOLDERS' EQUITY</u>		
Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; 54,065 Shares Issued & Outstanding	5,406.50	5,406.50
Paid-In Capital	105,723.80	105,723.80
Retained Earning	<u>1,702,540.97</u>	<u>1,354,872.89</u>
<u>TOTAL SHAREHOLDERS' EQUITY</u>	<u>1,813,671.27</u>	<u>1,466,003.19</u>
<u>TOTAL LIABILITIES & SHAREHOLDERS' EQUITY</u>	<u>4,360,283.42</u>	<u>3,187,011.48</u>

SEE ACCOUNTANT'S COMPILATION REPORT

BR000031

Angeles Chemical Co., Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1996 and April 30, 1995

	<u>1996</u>	<u>%</u>	<u>1995</u>	<u>%</u>
<u>SALES</u>	6,877,227.82	100.00	6,615,466.19	100.00
<u>LESS: COST OF SALES</u>	<u>4,955,527.93</u>	<u>72.06</u>	<u>4,648,193.08</u>	<u>70.26</u>
<u>GROSS PROFIT</u>	<u>1,921,699.89</u>	<u>27.94</u>	<u>1,967,273.11</u>	<u>29.74</u>
<u>OPERATING EXPENSES</u>				
Salaries & Wages	563,188.24	8.19	493,900.62	7.47
Compensation Insurance	28,366.02	0.41	32,071.93	0.48
Outside Labor	205,889.96	2.99	266,079.93	4.02
Insurance	124,025.96	1.80	122,209.27	1.85
Truck Expenses	151,380.19	2.20	208,772.39	3.16
Freight	161,506.08	2.35	154,774.21	2.34
Commissions	143,884.57	2.09	165,681.53	2.50
Rent	77,279.73	1.12	75,380.30	1.14
Repairs & Maintenance	117,843.68	1.71	119,641.56	1.81
Plant Expense	111,689.25	1.62	108,464.48	1.64
Printing Expense	9,198.59	0.13	11,723.21	0.18
Tank Testing & Lab Expense	-	0.00	25,479.97	0.39
Auto & Travel	20,946.16	0.30	34,464.09	0.52
Bad Debts	26,429.82	0.38	3,451.39	0.05
Bank Charge	(180.00)	(0.00)	106.81	0.00
Telephone & Utilities	41,398.01	0.60	45,269.50	0.68
Depreciation	40,868.00	0.59	49,833.00	0.75
Payroll Taxes	55,188.70	0.80	49,060.38	0.74
Professional Services	54,267.52	0.79	54,714.20	0.83
Taxes & Licenses	49,302.20	0.72	43,606.43	0.66
Business Promotion	31,513.26	0.46	29,703.27	0.45
Office Supplies	29,956.77	0.44	25,724.52	0.39
Computer Expense	38,099.80	0.55	40,530.05	0.61
Advertising	5,249.71	0.08	11,752.55	0.18
Profit Sharing Expense	6,500.00	0.09	(467.00)	(0.01)
Employee Welfare	9,876.70	0.14	13,585.62	0.21
Dues & Subscriptions	9,685.08	0.14	9,480.56	0.14
Equipment Rental	32,379.86	0.47	21,450.68	0.32
Seminars & Meetings	7,056.06	0.10	4,982.00	0.08
Donations	480.00	0.01	735.00	0.01
<u>TOTAL OPERATING EXPENSE</u>	<u>2,153,269.92</u>	<u>31.31</u>	<u>2,222,162.45</u>	<u>33.59</u>
<u>OPERATING (LOSS)</u>	<u>(231,570.03)</u>	<u>(3.37)</u>	<u>(254,889.34)</u>	<u>(3.85)</u>
<u>OTHER INCOME (EXPENSES) - Schedule 1</u>	<u>592,049.11</u>	<u>8.61</u>	<u>(33,314.16)</u>	<u>(0.50)</u>
<u>INCOME (LOSS) BEFORE INCOME TAXES</u>	<u>360,479.08</u>	<u>5.24</u>	<u>(288,203.50)</u>	<u>(4.36)</u>
Provision for Income Taxes	<u>12,811.00</u>	<u>0.19</u>	<u>800.00</u>	<u>0.01</u>
<u>NET INCOME (LOSS) TO RETAINED EARNINGS</u>	<u>347,668.08</u>	<u>5.06</u>	<u>(289,003.50)</u>	<u>(4.37)</u>
<u>RETAINED EARNINGS - BEGINNING</u>	<u>1,354,872.89</u>		<u>1,643,876.39</u>	
<u>RETAINED EARNINGS - ENDING</u>	<u>1,702,540.97</u>		<u>1,354,872.89</u>	

SEE ACCOUNTANT'S COMPILATION REPORT

BR000032

Angeles Chemical Co., Inc.

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1996 and April 30, 1995

	<u>1996</u>	<u>1995</u>
<u>OPERATING ACTIVITIES</u>		
Net Income (Loss)	347,668.08	(289,003.50)
Adjustments to Reconcile Net (Loss) to Net Cash Provided by Operating Activities:		
Equity in Income of Affiliate	(90,370.64)	(119,965.13)
Depreciation	<u>40,868.00</u>	<u>49,833.00</u>
<u>CASH PROVIDED (USED) BY OPERATIONS</u>	<u>298,165.44</u>	<u>(359,135.63)</u>
<u>CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES:</u>		
(Increase) Decrease in Accounts Receivable	(275,141.51)	46,542.97
(Increase) in Inventories	(216,228.73)	(126,295.71)
Decrease in Deferred Charges	45,578.23	27,414.89
(Increase) Decrease in Other Current Assets	(540,414.09)	65,909.61
(Increase) in Other Assets	(3,500.00)	-
Increase in Accounts Payable	537,809.86	133,139.87
Increase (Decrease) in Accrued Liabilities	3,562.34	(433.54)
Increase (Decrease) in Customer Deposits	95.00	(60,651.53)
Increase (Decrease) in Income Tax Payable	<u>12,011.00</u>	<u>2,369.00</u>
<u>NET CASH (USED) PROVIDED BY OPERATING ASSETS AND LIABILITIES</u>	<u>(436,227.90)</u>	<u>87,995.56</u>
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>(138,062.46)</u>	<u>(271,140.07)</u>
<u>INVESTING ACTIVITIES</u>		
Distributions from Affiliate	112,698.00	115,078.33
Purchase of Property, Plant & Equipment	<u>(45,418.00)</u>	<u>(61,445.00)</u>
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	<u>67,280.00</u>	<u>53,633.33</u>
<u>FINANCING ACTIVITIES</u>		
Increase (Decrease) in Notes Payable	<u>272,125.66</u>	<u>(48,515.69)</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	201,343.20	(266,022.43)
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>78,714.32</u>	<u>344,736.75</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>280,057.52</u>	<u>78,714.32</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash Paid During the Years Ended April 30, 1996 and April 30, 1995 for:		
Income Taxes	<u>800.00</u>	<u>800.00</u>
Interest	<u>49,456.71</u>	<u>51,525.00</u>

SEE ACCOUNTANTS COMPIATION REPORT

BR000033

Angeles Chemical Co., Inc.

OTHER INCOME (EXPENSES)

For the Years Ended April 30, 1996 and April 30, 1995

Schedule 1

	<u>1996</u>	<u>%</u>	<u>1995</u>	<u>%</u>
Income Split - Samson Chemical Co.	90,370.64	1.31	119,965.13	1.81
Terminating Charges	22,645.90	0.33	32,143.29	0.49
Interest Income	3,260.93	0.05	6,630.57	0.10
Claims Expense	(5,063.62)	(0.07)	(8,576.10)	(0.13)
Compensation Insurance Dividend	-		36,322.81	0.55
Contamination Proceeds (Expense)	542,195.68	7.88	(168,443.00)	(2.55)
Casualty Loss	(7,133.44)	(0.10)	-	0.00
Factoring Discount	(8,595.58)	(0.12)	-	0.00
Miscellaneous Income	4,526.31	0.07	168.14	0.00
Miscellaneous Expense	(701.00)	(0.01)	-	0.00
Interest Expense	<u>(49,456.71)</u>	<u>(0.72)</u>	<u>(51,525.00)</u>	<u>(0.78)</u>
<u>NET OTHER INCOME (EXPENSE)</u>	<u>592,049.11</u>	<u>8.61</u>	<u>(33,314.16)</u>	<u>(0.50)</u>

Angeles Chemical Co., Inc.

BALANCE SHEETS SCHEDULES

April 30, 1996 and April 30, 1995

Schedule 2

	<u>1996</u>	<u>1995</u>
<u>DEFERRED CHARGES</u>		
Property Taxes	1,974.34	1,922.22
Insurance	72,402.80	95,511.00
Lease	518.00	518.00
Excise Tax - Fuel	-	16,843.39
Taxes & Licenses	1,042.56	622.00
Employee Benefits	172.78	-
Other	10,121.62	14,933.27
Compensation Insurance	<u>3,710.19</u>	<u>5,170.64</u>
<u>TOTAL</u>	<u>89,942.29</u>	<u>135,520.52</u>

ACCRUED LIABILITIES

Commissions	16,849.31	5,801.90
Sales Taxes	1,493.21	9,590.80
Payroll	12,624.36	7,011.25
Other	<u>16,644.88</u>	<u>21,645.47</u>
<u>TOTAL</u>	<u>47,611.76</u>	<u>44,049.42</u>

TERM DEBT

	<u>Current</u>	<u>1996</u> <u>Term</u>	<u>Total</u>
J. Locke	9,736.63	184,843.89	194,580.52
A. Rosenthal	9,736.63	184,843.89	194,580.52
N. Spieler, Trustee	9,736.63	184,843.89	194,580.52
Jaguar Credit Corp.	<u>5,732.67</u>	<u>25,357.03</u>	<u>31,089.70</u>
<u>TOTAL</u>	<u>34,942.56</u>	<u>579,888.70</u>	<u>614,831.26</u>

TERM DEBT

	<u>Current</u>	<u>1995</u> <u>Term</u>	<u>Total</u>
J. Locke	9,035.22	194,580.52	203,615.74
A. Rosenthal	9,035.22	194,580.52	203,615.74
N. Spieler, Trustee	<u>9,035.22</u>	<u>194,580.52</u>	<u>203,615.74</u>
<u>TOTAL</u>	<u>27,105.66</u>	<u>583,741.56</u>	<u>610,847.22</u>

BR000035

APPENDIX II

B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

Qualifications of Bramstedt & Associates, Inc.

Eric M. Bramstedt, CFA, has over 30 years experience in the field of financial analysis, equity evaluations, securities analysis and investment banking. From 1967 to 1977 Mr. Bramstedt was a senior security analyst and officer of three San Francisco based institutional research firms including Sutro & Co. He has prepared over 500 business valuations of closely held companies for merger and acquisition, gift and estate taxes, Employee Stock Ownership Plans (ESOPs), buy/sell agreements, marital dissolutions, litigation support, and others. These valuations have covered a broad scope of closely held and public companies including several *Fortune* 1000 listings. Mr. Bramstedt possesses in-depth knowledge of ESOP functions, structuring and valuation through fifteen years of extensive experience with four leading ESOP design and valuation firms—Sansome Street Appraisers, Inc. (Menke & Associates); Kelso & Co.; Houlihan, Lokey, Howard & Zukin; and Private Capital Corp. This experience includes work for an employee coalition's proposed ESOP buy-out of Eastern Airlines.

Mr. Bramstedt has provided business valuation and financial consulting services to companies in manufacturing, foundry, retail trade, commercial banking, architecture and engineering, technology, distribution/manufacturer's representative, oil and oil service, health care, forest products and building materials, construction and contracting services, newspaper publishing and commercial printing. Mr. Bramstedt is a specialist in transportation, particularly trucking. Clients have included major domestic and international transportation companies for acquisition, investment banking, ESOP and other applications. He is editor of *Cal-Tips*, an operating and financial study of the California less-than-truckload business.

Mr. Bramstedt is a Chartered Financial Analyst (CFA) and a member of the Institute of Chartered Financial Analysts, the Association for Investment Management and Research and the Transportation Research Forum, and is a charter member and President of the Valuation Roundtable of San Francisco. He holds a Bachelor's Degree in Economics from Stanford University. Mr. Bramstedt has appeared as an expert witness before the California Public Utilities Commission and in civil court on matters of economic damages.

2402 Vista Del Mar Lane Tiburon, CA 94920-1208 Tel 415-435-9438 Fax 415-435-9438

114 Sansome St., Suite 808 San Francisco, CA 94104-3818 Tel 415-362-9900 Fax 415-362-6492

BR000037

INCOME STATEMENT					
FY4/30	1994	1995	1996	1997	1998
SALES	1989	27.92	1920	27.92	1989
SELLING EXPENSES	0	0.0%	0	0.0%	0
GEN & ADMIN EXPEN	1284	27.92	2146	11.2%	2222
INTEREST IN	0	0.0%	0	0.0%	0
INTEREST EXPENSE	24	0.6%	49	1.0%	51
NET INCOME	184	3.2%	365	5.7%	200
INVENTORY	1319	1228	1012	0	0
CASH	3567	3442	2035	0	0
FIXED ASSETS	0	0	0	0	0
SHORT TERM DEBT	0	0	0	0	0
LONG TERM DEBT	0	0	0	0	0
CURRENT RATIO	1.98	1.82	2.05	0.76	0.76
QUICK RATIO	1.15	1.01	0.76	0.76	0.76
SALES/RECEIVS	3.44	4.45	8.48	8.48	8.48
DEBT/INVENTORY	0.00	0.00	0.00	0.00	0.00
CASH FLOW/CPLTD	0.13	1.20	8.85	8.85	8.85
FIXED/NORTH	0.42	0.46	0.26	0.46	0.46
DEBT/NORTH	1.16	1.37	1.17	1.17	1.17
BT PROFIT/NORTH	2.08	20.09%	19.65%	19.65%	19.65%
BT PROFIT/ASSETS	0.38	0.48%	0.48%	0.48%	0.48%
NET FA T/O	0.34	0.34	0.10	0.10	0.10
TOT ASSET T/O	0.34	0.34	0.10	0.10	0.10
RET ON TOT CAP	5.43%	17.91%	12.50%	12.50%	12.50%
RET ON ASSETS	2.07%	9.37%	8.71%	8.71%	8.71%

Sansome Street Appraisers, Inc.

Mendham, New Jersey

*114 Sansome Street, Suite 308
San Francisco, California 94104-3818
(415) 362-9900
Fax (415) 362-6492*

December 6, 1996

Personal

Mr. John Locke
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 94670

Dear John:

Based on financials and other information, I am prepared to complete promptly these ESOP valuations:

<u>As of</u>	<u>Purpose</u>
4/30/96	Plan administration
10/31/96	To confirm ESOP is <u>not</u> paying more than fair market value for Bob Berg's stock

However, I need the following additional information:

- Finalized financial statements from Singer as of April 30, 1996 and October 31, 1996 reflecting specific amount and date of ESOP contribution.
- Amount of total dollars to be paid for Berg's A and B stock and number of B shares to be purchased from him.
- Specifics of lawsuit settlement, i.e., amount of damages and interest and when funds were received.
- ESOP loan terms and amortization schedule when available.
- Reasons for substantial business increase so far in fiscal 1997.
- Reply from Tim Mahoney to the enclosed letter.

BR000039

Sansome Street Appraisers, Inc.


Mr. John Locke
December 6, 1996
Page two

At the time of the ESOP/Berg transaction, I will need a comfort letter from you stating that there have been no material changes in Anchem's business, operational or financial condition since October 31, 1996 and that there is no litigation against the Company.

The considerable time, effort and due diligence required for these valuations suggest that our fee will be above the \$3,600 of last year.

I am prepared to discuss very preliminarily my valuation conclusions.

Sincerely,



Eric M. Bramstedt

EMB:ew
enclosure

4/30/95

ESOP Balance "B" stock

R. Berg	- \$85,772	3819	shs (PR)
J. Locke	- 176,359	8016	
Other	99,328	4515	
	<u>\$ 361,629</u>	<u>16,429</u>	- Hi



310
~~(213)~~ 945-3811
(714) 521-7860
FAX (213) 698-7571

JAMES W. LOCKE *JSOL*
Operations Manager

ANGELES CHEMICAL CO., INC.
8815 SORENSON AVE.—SANTA FE SPRINGS, CA 90670

BR000041

Full Time 1/1/93



Robert O. Berg
Chairman of the Board

*- 1964
1969*

Quality Tradition Since 1887

Long Time

Phone: (213) 261-8114, Ext. 241 Fax: (213) 261-5491
3150 East Pico Boulevard, Los Angeles, California 90023-3683

BR000042

Anchor
FMV

4/30/96

10/31/96

Plan Admin - BST

and Atkin

310-207-8776

1) FMV as of 4/30/96 for Plan Administration Program

6) FMV as of 10/31/96 for Berg stock buy-back
wherein ESOP will buy back Berg 20,000 A shares
and ? B shares for \$620,000 in
leveraged transaction. Bank has preliminarily
agreed to lend ESOP (Company) \$400,000
over 10 years at 8%-9% secured by Berg.

2) ESOP contribution - first year - may be F 96 or F 97.
may be \$141,000 (25%) or \$84,500 (15%) in 1st year.
Annual contrib. on 10 year loan is \$75,000
(\$40,000 principal + \$35,000 1st year interest)

FMV Issue - Historic ESOP contribution
has been nominal. Should part of contrib.
be returned. Yes - that's not over 8% of
PR which is \$45,000 in F96 if senior
method being used.

→ If net method adopted full contribution
because it represents cash out of company.

3) Delta FMV Ticker

3) Treatment of FMV of land net of new costs or book.

Question - If operating is value deduct value to clean up to conform with regulations (revenue?).

- If liquidation - write off full amount
- Company may have required going concern status in 1st half of F 97 operating and not profit after at least 5 years of operating losses.

6) Land Use Costs - Est

• Tank built + Permitting	- \$385,000
• New Tanks	231,000
	<u>\$626,000</u>

Time frame?

c) Land impairment temporary - land FMV will have to appraise as remediation is completed. FMV up to reserve amount?

Complan

FMV

at

4/30/96

10/31/96

(000)

Current Salary

6877

71,000 E

Op Profit (Inc)

(226)

600 E

Book Value:

1817

1940

Stated

1817

1940

Only *

1676

1799

Working Capital:

Stated

1557

1667

Only *

1416

1528

Good & Equip:

Stated

855

390

Only *

714

249

LTD:

580

561

* Ref for most ESOP entries of 141,000

FMV of Land to Market

Book Value	\$648,000
FMV (Clean)	575,000
Dif.	(73,000)

Less P.V. of Clean UP	(400,000)
-----------------------	-----------

→ Est FMV \$100,000 (R) [Assume get back P.V. of UP for Operation]

Book Value 550,000 (R)

Term Rate (7.5%)	611,000
------------------	---------

Int (\$48,000?)

+ \$48,000 = 7.5%

Mark Note to MKT	<u>305,000</u>
------------------	----------------

→ FMV of Note 305,000 (R)

Net B/S only (\$550 - 305) (250,000 R)

Prelim FMV

4/30 - 10/31/96

1) Cash B.V.	\$1,750,000
Leasehold Improv.	<u>0</u>
Sub	1,750,000
Net Long Asset	(250,000)
	<u>1,500,000</u>
Market Price (B.V.)	(150,000)
	<u>\$1,350,000</u>
On 54,000 shares	<u>\$25.00 (R)</u>

2) 20% of F1996 sub of \$6.88M = \$1,375,000 ←
20% of F1997E sub of 11.00M = \$2,200,000

3) Working Capital \$1,500,000 ←



SINGER TRAJNOR & CO.
Certified Public Accountants

6 Mos.
10/31/96

DATE: November 27, 1996FAX NO: (415) 362-6492TO: EricFROM: Mark Schulerfeld

EXCLUDING THIS COVER SHEET, YOU RECEIVE 7 PAGES(S). IF YOU DO NOT
RECEIVE ALL PAGES, PLEASE CONTACT SINGER, TRAJNOR & CO. AT (213) 726-2411
(FAX @ 213-726-3852) AND WE WILL RESEND.

REMARKS: Persuant to your conversation with Ted SingerTotal Wages \$ 563,188.0025% \$ 140,797.0015% \$ 84,478.208% \$ 45,040

SINGER, TRAYNOR & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
6055 East Washington Bl., Suite 500
Los Angeles, CA 90040

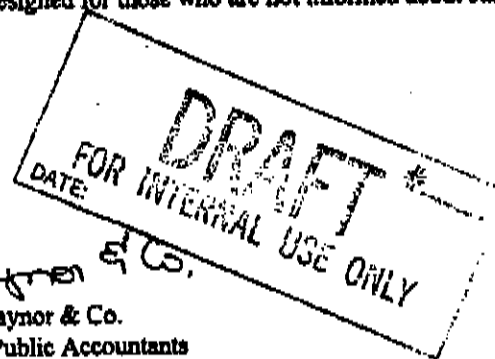
November 20, 1996

Angeles Chemical Co., Inc.
8915 Sorensen Ave.
Santa Fe Springs, CA 90670

The accompanying balance sheet of Angeles Chemical Co., Inc. as of October 31, 1996 and the related statement of income and retained earnings for the 6 months then ended, have been compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included with the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.



Singer, Traynor & Co.

Singer, Traynor & Co.
Certified Public Accountants

Sansome Street Appraisers, Inc.

Mendham, New Jersey

*114 Sansome Street, Suite 808
San Francisco, California 94104-3818
(415) 362-9900
Fax (415) 362-6492*

November 22, 1996

Mr. Tim Mahoney
Angeles Chemical
8915 Sorensen Avenue
Santa Fe Springs, California 90670

Re: Angeles Chemical ESOP Valuation as of April 30, 1996

Dear Tim:

Enclosed is a copy of Anchem's Company Description from the April 1995 ESOP valuation report.

Would you please update and FAX and mail me the marked up copy. John is anxious to have the ESOP valuation completed by early December.

Best wishes and thanks.

Sincerely,

Eric M. Bramstedt

EMB:ew
enclosure

BR000056

Sansome Street Appraisers, Inc.

Mendham, New Jersey

*116 Sansome Street, Suite 808
San Francisco, California 94104-3818
(415) 362-9900
Fax (415) 362-6492*

November 6, 1996

Personal

Mr. John Locke
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 94670

Re: ESOP Valuation as of April 30, 1996

Dear John:

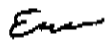
I am very pleased to hear about the favorable S&J litigation outcome and settlement, which obviously enhances Anchem's financial position and equity value.

Since you (as Trustee) are considering a significant "party-at-interest" ESOP transaction with Bob Berg, we should address the issue of the fair market value of the Company's real property, which may be below its book cost. I will be using a book value methodology again at April 30, 1996. Enclosed are copies of my comments on this issue from the April 30, 1995 ESOP valuation report.

It would be preferable to get an independent real property appraisal and that is my recommendation. I also believe the fair market value of the shareholder notes is below their stated value. It is possible that the fair market value "discount" or offset for the asset and liability could be offsetting. Let's discuss.

I will begin the valuation process as soon as I get Ted Singer's final April 30, 1996 financial statements.

Sincerely,



Eric M. Bramstedt

EMB:ew
enclosure

BR000057

In 1995, Anchem had about 119 active industrial customers and 362 in the packaging division, both down from earlier years but about unchanged from fiscal 1994. Most are located in Southern California. Ellis Paint Company, owned by Robert Berg, an Anchem founder and shareholder, is an important customer.

Anchem's basic raw materials are these organic chemicals — propylene, glycol, toluene, ethylene glycol, acetone, mineral spirits, 1-1-1 trichloroethane, and alcohols. These are forms of petroleum distillates which are purchased from Shell, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and four above-ground tanks (old railroad tank cars): one of 10,000 gallons capacity and three of 6,000 gallons each. Some of the storage tanks are not now used given the decline in sales and volume since the 1980s.

Anchem operates out of administrative offices and packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The land, structures and improvements are Company-owned. On January 1, 1994, title for the 1.8 acre land parcel was transferred from a partnership of the three founding and two current shareholders to the Company in consideration of three equal 14-year \$216,000 notes (aggregating \$648,000) paying 7.5% annual interest. The total yearly principal and interest payments of \$72,000 equal the former rent paid to the partnership and the transaction was therefore cash flow neutral to Anchem (on a pretax basis).

The land transfer price was determined by the three parties on other than an arm's-length "third party" negotiated basis and which basis was not specifically disclosed to the appraiser. Given the property environmental clean-up yet to be completed and the land's location next to a Superfund site, the appraiser believes the independently determined fair market value (FMV) of the real property may be below the \$648,000 capitalized on Anchem's financial statements as of April 30, 1995. Therefore, the appraiser recommends that the ESOP Trustee obtain a real property FMV from a qualified independent commercial real estate appraiser for reference in preparing future ESOP valuations.

In addition to its Santa Fe Springs facility, Anchem rents a warehouse in Santa Fe Springs for de-crating, and uses a Los Angeles public warehouse for distribution — replacing a terminated warehouse lease with Robert Berg.

As of April 1995, Anchem had 28 full-time employees versus 21 a year earlier (plus temporary labor).

Samson Chemical Co. Joint Venture

On March 31, 1991, Anchem entered into a five and a half year agreement with Saramco, Inc., dba Samson Chemical Co., to operate on a joint venture basis for five years beginning October 1, 1991. If the joint venture is still effective on September 30, 1996, Samson will cease operations and transfer to Anchem its distributor relationships and its business and customer accounts. In the interim, both companies maintain separate operations (at Santa Fe Springs) and customers. Through this affiliation, Anchem was able to broaden its product line to include epoxy products.

These eight factors are fundamental to any appraisal of closely held securities. They are not, however, all-inclusive. Other factors relevant to the subject valuation were also considered, such as the ESOP repurchase liability and its effect on the application of a marketability discount.

Valuation History and Conclusion

This valuation represents an update of prior appraisals of Anchem's common stock for ESOP purposes prepared by this appraiser as a subcontractor to Sansome Street Appraisers, Inc., a wholly owned subsidiary of Menke & Associates, Inc. The following table summarizes our fair market value findings for the past five fiscal years:

Angeles Chemical Co.
Summary of Fair Market Value Determinations
F1995-1991

<u>Date</u>	<u>Aggregate ESOP Value</u>	<u>Per Share</u>	<u>Percent of</u>			<u>Times</u>	
			<u>Sales</u>	<u>Assets</u>	<u>Equity</u>	<u>Gross Profit</u>	<u>Working Capital</u>
4/30/95	\$1,187,463	\$22.00	18.0%	37.3%	81%	0.60X	0.99X
4/30/94	1,421,555	26.30	20.4	41.2	81	0.64	0.93
4/30/93	1,650,000	30.50	20.4	52.1	92	0.68	1.06
4/30/92	1,621,000	30.00	20.1	51.3	92	0.83	1.10
4/30/91	1,653,300	30.60	20.8	61.2	94	0.83	1.10

Based upon our analysis of Angeles Chemical Co., Inc., our experience in the valuation of closely held securities, and the consideration of the factors set forth in this report, we are of the opinion that the aggregate minority interest fair market value of the common stock of Anchem for Employee Stock Ownership Plan purposes as of plan year end April 30, 1995 was \$1,187,463, or \$22.00 per share based upon 54,065 shares of A and B common stock outstanding.

This determination of fair market value is based on an adjusted book value approach and is discounted for restricted marketability.

The appraiser understands that this valuation conclusion will be used primarily for Plan administration purposes at April 30, 1995. Before future ESOP valuations are conducted, where there are to be significant ESOP/Company stock transactions the appraiser recommends the Trustee obtain an independently derived fair market valuation from a qualified commercial real estate appraiser of the Company's real property acquired in January 1994 from its founder/shareholders.

The property ownership in equal interests was transferred from the three principals to the Company for \$648,000, a price negotiated by the principals and which may not represent arm's-length fair market value. The property's marketability to a third-party buyer may be impaired by its environmental problems. Concurrently, the face amount of the three (original) \$216,000 7-1/2% 14-year notes may also be above their third-party fair market value, although no effort has been made by the appraiser to determine their fair market value.



SINGER TRAYNOR & CO.
Certified Public Accountants

DATE: 01-07-97FAX NO: (415) 262-6492TO: ERIC BRANDSTEDFROM: ← TED SINGER

EXCLUDING THIS COVER SHEET, YOU RECEIVE 7 PAGE(S). IF YOU DO NOT
RECEIVE ALL PAGES, PLEASE CONTACT SINGER, TRAYNOR & CO. AT (213) 725-2411
(FAX # 213-725-3852) AND WE WILL RESEND.

REMARKS: LOS ANGELES CHEMICAL FIN'L STMT.

1. lawsuit settlement - \$540,000 to \$640,000
2. litigation @ 4/30/96
3. Insurance

ANGELES CHEMICAL CO., INC.

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2. Balance Sheets
3. Statements of Income and Retained Earnings
4. Statements of Cash Flow
5. Other Income (Expenses) - Schedule 1
6. Balance Sheet Schedules - Schedule 2

Angier Chemical Co., Inc.BALANCE SHEETSApril 30, 1996 and April 30, 1995

<u>ASSETS</u>	<u>1996</u>	<u>1995</u>
<u>CURRENT ASSETS</u>		
Cash	280,057.52	78,714.32
Accounts Receivable (Net of Bad Debts Allowances of \$5,000.00 and \$5,000.00 Respectively)	1,055,201.72	780,060.21
Inventories (Lower of Cost, FIFO or Market)	1,228,538.89	1,012,310.16
Due from Stallion Tank Lines, Inc.	30,228.28	49,841.28
Due from Samson Chemical Co.	173,799.85	259,210.16
Due from Litigation	640,000.00	-
Due from Other	430.00	-
Employee Advances	21,958.36	16,970.96
Deferred Charges - Schedule 2	89,942.29	135,520.52
<u>TOTAL CURRENT ASSETS</u>	<u>3,320,176.91</u>	<u>2,332,627.61</u>
<u>FIXED ASSETS (at Cost)</u>		
Land	648,000.00	648,000.00
Office Trailers	99,568.00	99,568.00
Trucks & Autos	212,632.00	189,801.00
Tanks & Plant Equipment	830,643.00	822,673.00
Furniture & Fixtures	241,765.00	237,148.00
Plant	363,399.00	363,399.00
<u>TOTAL</u>	<u>2,398,207.00</u>	<u>2,362,789.00</u>
Less: Accumulated Depreciation	<u>1,570,967.00</u>	<u>1,540,099.00</u>
<u>BOOK VALUE</u>	<u>827,240.00</u>	<u>822,690.00</u>
<u>OTHER ASSETS</u>		
Deposits	6,080.00	2,580.00
Investment in Samson Chemical Co.	6,786.51	29,113.87
<u>TOTAL OTHER ASSETS</u>	<u>12,866.51</u>	<u>31,693.87</u>
<u>TOTAL ASSETS</u>	<u>4,360,283.42</u>	<u>3,187,011.48</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	1,335,368.59	997,558.73
Accrued Liabilities - Schedule 2	47,611.76	44,049.42
Income Taxes Payable	12,011.00	-
Note Payable - Bank of Whittier	268,636.13	-
Note Payable - Other	61,153.41	61,647.92
Drum Deposits	7,000.00	6,905.00
Term Debt - Current - Schedule 2	34,942.56	27,103.66
<u>TOTAL CURRENT LIABILITIES</u>	<u>1,966,723.45</u>	<u>1,137,266.73</u>
<u>TERM DEBT - Schedule 2</u>	<u>579,888.70</u>	<u>583,741.56</u>
<u>SHAREHOLDERS' EQUITY</u>		
Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized;		
54,065 Shares Issued & Outstanding	5,406.50	5,406.50
Paid-In Capital	105,723.80	105,723.80
Retained Earning	1,702,540.97	1,354,872.89
<u>TOTAL SHAREHOLDERS' EQUITY</u>	<u>1,813,671.27</u>	<u>1,466,003.19</u>
<u>TOTAL LIABILITIES & SHAREHOLDERS' EQUITY</u>	<u>4,360,283.42</u>	<u>3,187,011.48</u>

SEE ACCOUNTANT'S COMPILATION REPORT

BR000062

Angeles Chemical Co., Inc.STATEMENTS OF INCOME AND RETAINED EARNINGSFor the Years Ended April 30, 1996 and April 30, 1995

	<u>1996</u>	<u>%</u>	<u>1995</u>	<u>%</u>
SALES	6,877,227.82	100.00	6,615,466.19	100.00
LESS: COST OF SALES	<u>4,955,527.91</u>	<u>72.06</u>	<u>4,648,193.08</u>	<u>70.26</u>
GROSS PROFIT	<u>1,921,699.91</u>	<u>27.94</u>	<u>1,967,273.11</u>	<u>29.74</u>
OPERATING EXPENSES				
Salaries & Wages	563,188.24	8.19	493,900.62	7.47
Compensation Insurance	28,366.02	0.41	32,071.93	0.48
Outside Labor	203,889.96	2.99	266,079.93	4.02
Insurance	124,025.96	1.80	122,209.27	1.83
Truck Expenses	151,380.19	2.20	208,772.39	3.16
Freight	161,506.08	2.35	154,774.21	2.34
Commissions	143,884.37	2.09	185,681.53	2.80
Rent	77,279.73	1.12	75,380.30	1.14
Repairs & Maintenance	117,843.68	1.71	119,641.36	1.81
Plant Expense	111,689.25	1.62	108,464.48	1.64
Printing Expense	9,198.39	0.13	11,723.21	0.18
Tank Testing & Lab Expense	-	0.00	23,479.97	0.39
Auto & Travel	20,946.16	0.30	34,464.09	0.52
Bad Debts	26,429.82	0.38	3,451.39	0.05
Bank Charge	(180.00)	(0.00)	106.81	0.00
Telephone & Utilities	41,398.01	0.60	45,269.50	0.68
Depreciation	40,868.00	0.59	49,833.00	0.75
Payroll Taxes	55,188.70	0.80	49,060.38	0.74
Professional Services	54,267.52	0.79	54,714.20	0.83
Taxes & Licenses	49,302.20	0.72	43,606.43	0.66
Business Promotion	31,513.26	0.46	29,703.27	0.45
Office Supplies	29,956.77	0.44	25,724.52	0.39
Computer Expense	38,099.80	0.55	40,530.05	0.61
Advertising	5,249.71	0.08	11,752.55	0.18
Profit Sharing Expense	6,500.00	0.09	(467.00)	(0.01)
Employee Welfare	9,876.70	0.14	13,583.62	0.21
Dues & Subscriptions	9,683.08	0.14	9,480.56	0.14
Equipment Rental	32,379.86	0.47	21,450.68	0.32
Seminars & Meetings	7,036.06	0.10	4,982.00	0.08
Donations	<u>480.00</u>	<u>0.01</u>	<u>735.00</u>	<u>0.01</u>
TOTAL OPERATING EXPENSE	<u>2,133,269.92</u>	<u>31.31</u>	<u>2,222,162.45</u>	<u>33.59</u>
OPERATING (LOSS)	<u>(211,570.03)</u>	<u>(3.37)</u>	<u>(254,889.34)</u>	<u>(3.85)</u>
OTHER INCOME (EXPENSES) - Schedule 1	<u>592,049.11</u>	<u>8.61</u>	<u>(33,314.16)</u>	<u>(0.50)</u>
INCOME (LOSS) BEFORE INCOME TAXES	360,479.08	5.24	(288,203.50)	(4.36)
Provision for Income Taxes	<u>12,811.00</u>	<u>0.19</u>	<u>800.00</u>	<u>0.01</u>
NET INCOME (LOSS) TO RETAINED EARNINGS	347,668.08	5.05	(289,003.50)	(4.37)
RETAINED EARNINGS - BEGINNING	<u>1,354,872.89</u>		<u>1,643,876.39</u>	
RETAINED EARNINGS - ENDING	<u>1,702,540.97</u>		<u>1,354,872.89</u>	

SEE ACCOUNTANT'S COMPILATION REPORT

BR000063

Angelen Chemical Co., Inc.STATEMENTS OF CASH FLOWFor the Years Ended April 30, 1996 and April 30, 1995

	<u>1996</u>	<u>1995</u>
<u>OPERATING ACTIVITIES</u>		
Net Income (Loss)	347,668.08	(289,003.30)
Adjustments to Reconcile Net (Loss) to Net Cash Provided by Operating Activities:		
Equity in Income of Affiliate	(90,370.64)	(119,965.13)
Depreciation	<u>40,868.00</u>	<u>49,833.00</u>
	<u>298,165.44</u>	<u>(359,135.63)</u>
<u>CASH PROVIDED (USED) BY OPERATIONS</u>		
<u>CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES:</u>		
(Increase) Decrease in Accounts Receivable	(275,141.51)	46,542.97
(Increase) in Inventories	(216,228.73)	(126,295.71)
Decrease in Deferred Charges	45,578.23	27,414.89
(Increase) Decrease in Other Current Assets	(340,414.09)	65,909.61
(Increase) in Other Assets	(3,500.00)	-
Increase in Accounts Payable	537,809.86	133,139.87
Increase (Decrease) in Accrued Liabilities	3,562.34	(433.54)
Increase (Decrease) in Customer Deposits	95.00	(60,631.53)
Increase (Decrease) in Income Tax Payable	<u>12,011.00</u>	<u>2,369.00</u>
<u>NET CASH (USED) PROVIDED BY OPERATING ASSETS AND LIABILITIES</u>	<u>(436,227.20)</u>	<u>87,995.56</u>
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>(138,062.46)</u>	<u>(271,140.07)</u>
<u>INVESTING ACTIVITIES</u>		
Distributions from Affiliate	112,698.00	115,078.33
Purchase of Property, Plant & Equipment	<u>(45,418.00)</u>	<u>(61,445.00)</u>
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	<u>67,280.00</u>	<u>53,633.33</u>
<u>FINANCING ACTIVITIES</u>		
Increase (Decrease) in Notes Payable	<u>272,125.66</u>	<u>(48,515.69)</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>201,343.20</u>	<u>(266,022.43)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>78,714.32</u>	<u>344,736.75</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>280,057.52</u>	<u>78,714.32</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash Paid During the Years Ended April 30, 1996 and April 30, 1995 for:		
Income Taxes	<u>800.00</u>	<u>800.00</u>
Interest	<u>49,456.71</u>	<u>51,525.00</u>

SEE ACCOUNTANT'S COMPILATION REPORT

BR000064

Anceles Chemical Co., Inc.OTHER INCOME (EXPENSES)For the Years Ended April 30, 1996 and April 30, 1995Schedule 1

	<u>1996</u>	<u>%</u>	<u>1995</u>	<u>%</u>
Income Split - Samson Chemical Co.	90,370.64	1.31	119,965.13	1.81
Terminating Charges	22,645.90	0.33	32,143.29	0.49
Interest Income	3,260.93	0.05	6,630.57	0.10
Claims Expense	(5,063.62)	(0.07)	(8,576.10)	(0.13)
Compensation Insurance Dividend	-		36,322.81	0.55
Contamination Proceeds (Expense)	542,195.68	7.88	(168,443.00)	(2.55)
Casualty Loss	(7,133.44)	(0.10)	-	0.00
Factoring Discount	(8,595.58)	(0.12)	-	0.00
Miscellaneous Income	4,526.31	0.07	168.14	0.00
Miscellaneous Expense	(701.00)	(0.01)	-	0.00
Interest Expense	(49,456.71)	(0.72)	(51,525.00)	(0.78)
<u>NET OTHER INCOME (EXPENSE)</u>	<u>592,049.11</u>	<u>8.61</u>	<u>(33,314.16)</u>	<u>(0.50)</u>

SEE ACCOUNTANT'S COMPILATION REPORT

BR000065

Angeles Chemical Co., Inc.BALANCE SHEETS SCHEDULESApril 30, 1996 and April 30, 1995Schedule 2DEFERRED CHARGES

	<u>1996</u>	<u>1995</u>
Property Taxes	1,974.34	1,922.22
Insurance	72,402.80	95,511.00
Lease	518.00	518.00
Excise Tax - Fuel	-	16,843.39
Taxes & Licenses	1,042.56	622.00
Employee Benefits	172.78	-
Other	10,121.62	14,933.27
Compensation Insurance	<u>3,710.12</u>	<u>5,170.64</u>
<u>TOTAL</u>	<u>89,942.22</u>	<u>135,520.52</u>

ACCRUED LIABILITIES

Commissions	16,849.31	5,801.90
Sales Taxes	1,493.21	9,590.80
Payroll	12,624.36	7,011.25
Other	<u>16,644.88</u>	<u>21,645.47</u>
<u>TOTAL</u>	<u>47,611.76</u>	<u>44,049.42</u>

TERM DEBT

	<u>Current</u>	<u>1996 Term</u>	<u>Total</u>
J. Locke	9,736.63	184,843.89	194,580.52
A. Rosenthal	9,736.63	184,843.89	194,580.52
N. Spieler, Trustee	9,736.63	184,843.89	194,580.52
Jaguar Credit Corp.	<u>5,732.67</u>	<u>25,357.03</u>	<u>31,089.70</u>
<u>TOTAL</u>	<u>34,942.56</u>	<u>579,888.70</u>	<u>614,831.26</u>

TERM DEBT

	<u>Current</u>	<u>1995 Term</u>	<u>Total</u>
J. Locke	9,035.22	194,580.52	203,615.74
A. Rosenthal	9,035.22	194,580.52	203,615.74
N. Spieler, Trustee	<u>9,035.22</u>	<u>194,580.52</u>	<u>203,615.74</u>
<u>TOTAL</u>	<u>27,105.66</u>	<u>583,741.56</u>	<u>610,847.22</u>

SEE ACCOUNTANT'S COMPILATION REPORT

BR000066

ANGELES CHEMICAL CO., INC.

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SINGER, TRAYNOR & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
 500 Citadel Drive, Suite 300
 Los Angeles, CA 90040

October 21, 1996

Angeles Chemical Co., Inc.
 8915 Sorensen Ave.
 Santa Fe Springs, CA 90670

The accompanying balance sheets of Angeles Chemical Co., Inc. as of April 30, 1996 and April 30, 1995 and the related statements of income and retained earnings and cash flow for the years then ended, have been compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Singer, Traynor & Co.
 Singer, Traynor & Co.
 Certified Public Accountants

62 11/24/96

Angeles Chemical Co., Inc.

BALANCE SHEETS

April 30, 1996 and April 30, 1995

ASSETS

	<u>1996</u>	<u>1995</u>
<u>CURRENT ASSETS</u>		
Cash	280,057.52	78,714.32
Accounts Receivable (Net of Bad Debts Allowances of \$5,000.00 and \$5,000.00 Respectively)	1,055,201.72	780,060.21
Inventories (Lower of Cost, FIFO or Market)	1,228,538.89	1,012,310.16
Due from Stallion Tank Lines, Inc.	30,228.28	49,841.28
Due from Samson Chemical Co.	173,799.85	259,210.16
Due from Litigation	640,000.00	-
Due from Other	450.00	-
Employee Advances	21,958.36	16,970.96
Deferred Charges - Schedule 2	89,942.29	135,520.52
<u>TOTAL CURRENT ASSETS</u>	<u>3,520,176.91</u>	<u>2,332,627.61</u>
<u>FIXED ASSETS (at Cost)</u>		
Land	648,000.00	648,000.00
Office Trailers	99,568.00	99,568.00
Trucks & Autos	212,632.00	189,801.00
Tanks & Plant Equipment	830,643.00	822,673.00
Furniture & Fixtures	241,765.00	237,148.00
Plant	365,599.00	365,599.00
<u>TOTAL</u>	<u>2,398,207.00</u>	<u>2,362,789.00</u>
Less: Accumulated Depreciation	<u>1,570,967.00</u>	<u>1,540,099.00</u>
<u>BOOK VALUE</u>	<u>827,240.00</u>	<u>822,690.00</u>
<u>OTHER ASSETS</u>		
Deposits	6,080.00	2,580.00
Investment in Samson Chemical Co.	6,786.51	29,113.87
<u>TOTAL OTHER ASSETS</u>	<u>12,866.51</u>	<u>31,693.87</u>
<u>TOTAL ASSETS</u>	<u>4,360,283.42</u>	<u>3,187,011.48</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	1,535,368.59	997,558.73
Accrued Liabilities - Schedule 2	47,611.76	44,049.42
Income Taxes Payable	12,011.00	-
Note Payable - Bank of Whittier	268,636.13	-
Note Payable - Other	61,153.41	61,647.92
Drum Deposits	7,000.00	6,905.00
Term Debt - Current - Schedule 2	34,942.56	27,105.66
<u>TOTAL CURRENT LIABILITIES</u>	<u>1,966,723.45</u>	<u>1,137,266.73</u>
<u>TERM DEBT -Schedule 2</u>	<u>579,888.70</u>	<u>583,741.56</u>
<u>SHAREHOLDERS' EQUITY</u>		
Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; 54,065 Shares Issued & Outstanding	5,406.50	5,406.50
Paid-In Capital	105,723.80	105,723.80
Retained Earning	1,702,540.97	1,354,872.89
<u>TOTAL SHAREHOLDERS' EQUITY</u>	<u>1,813,671.27</u>	<u>1,466,003.19</u>
<u>TOTAL LIABILITIES & SHAREHOLDERS' EQUITY</u>	<u>4,360,283.42</u>	<u>3,187,011.48</u>

SEE ACCOUNTANT'S COMPII ATION REPORT

BR000069

Angeles Chemical Co., Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1996 and April 30, 1995

	<u>1996</u>	<u>%</u>	<u>1995</u>	<u>%</u>
<u>SALES</u>	6,877,227.82	100.00	6,615,466.19	100.00
<u>LESS: COST OF SALES</u>	<u>4,955,527.93</u>	<u>72.06</u>	<u>4,648,193.08</u>	<u>70.26</u>
<u>GROSS PROFIT</u>	<u>1,921,699.89</u>	<u>27.94</u>	<u>1,967,273.11</u>	<u>29.74</u>
<u>OPERATING EXPENSES</u>				
Salaries & Wages	563,188.24	8.19	493,900.62	7.47
Compensation Insurance	28,366.02	0.41	32,071.93	0.48
Outside Labor	205,889.96	2.99	266,079.93	4.02
Insurance	124,025.96	1.80	122,209.27	1.85
Truck Expenses	151,380.19	2.20	208,772.39	3.16
Freight	161,506.08	2.35	154,774.21	2.34
Commissions	143,884.57	2.09	165,681.53	2.50
Rent	77,279.73	1.12	75,380.30	1.14
Repairs & Maintenance	117,843.68	1.71	119,641.56	1.81
Plant Expense	111,689.25	1.62	108,464.48	1.64
Printing Expense	9,198.59	0.13	11,723.21	0.18
Tank Testing & Lab Expense	-	0.00	25,479.97	0.39
Auto & Travel	20,946.16	0.30	34,464.09	0.52
Bad Debts	26,429.82	0.38	3,451.39	0.05
Bank Charge	(180.00)	(0.00)	106.81	0.00
Telephone & Utilities	41,398.01	0.60	45,269.50	0.68
Depreciation	40,868.00	0.59	49,833.00	0.75
Payroll Taxes	55,188.70	0.80	49,060.38	0.74
Professional Services	54,267.52	0.79	54,714.20	0.83
Taxes & Licenses	49,302.20	0.72	43,606.43	0.66
Business Promotion	31,513.26	0.46	29,703.27	0.45
Office Supplies	29,956.77	0.44	25,724.52	0.39
Computer Expense	38,099.80	0.55	40,530.05	0.61
Advertising	5,249.71	0.08	11,752.55	0.18
Profit Sharing Expense	6,500.00	0.09	(467.00)	(0.01)
Employee Welfare	9,876.70	0.14	13,585.62	0.21
Dues & Subscriptions	9,685.08	0.14	9,480.56	0.14
Equipment Rental	32,379.86	0.47	21,450.68	0.32
Seminars & Meetings	7,056.06	0.10	4,982.00	0.08
Donations	480.00	0.01	735.00	0.01
<u>TOTAL OPERATING EXPENSE</u>	<u>2,153,269.92</u>	<u>31.31</u>	<u>2,222,162.45</u>	<u>33.59</u>
<u>OPERATING (LOSS)</u>	<u>(231,570.03)</u>	<u>(3.37)</u>	<u>(254,889.34)</u>	<u>(3.85)</u>
<u>OTHER INCOME (EXPENSES) - Schedule I</u>	<u>592,049.11</u>	<u>8.61</u>	<u>(33,314.16)</u>	<u>(0.50)</u>
<u>INCOME (LOSS) BEFORE INCOME TAXES</u>	360,479.08	5.24	(288,203.50)	(4.36)
Provision for Income Taxes	<u>12,811.00</u>	<u>0.19</u>	<u>800.00</u>	<u>0.01</u>
<u>NET INCOME (LOSS) TO RETAINED EARNINGS</u>	347,668.08	5.06	(289,003.50)	(4.37)
<u>RETAINED EARNINGS - BEGINNING</u>	<u>1,354,872.89</u>		<u>1,643,876.39</u>	
<u>RETAINED EARNINGS - ENDING</u>	<u>1,702,540.97</u>		<u>1,354,872.89</u>	

SEE ACCOUNTANT'S COMPILATION REPORT

BR000070

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1996 and April 30, 1995

	<u>1996</u>	<u>1995</u>
<u>OPERATING ACTIVITIES</u>		
Net Income (Loss)	347,668.08	(289,003.50)
Adjustments to Reconcile Net (Loss) to Net Cash Provided by Operating Activities:		
Equity in Income of Affiliate	(90,370.64)	(119,965.13)
Depreciation	<u>40,868.00</u>	<u>49,833.00</u>
<u>CASH PROVIDED (USED) BY OPERATIONS</u>	<u>298,165.44</u>	<u>(359,135.63)</u>
<u>CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES:</u>		
(Increase) Decrease in Accounts Receivable	(275,141.51)	46,542.97
(Increase) in Inventories	(216,228.73)	(126,295.71)
Decrease in Deferred Charges	45,578.23	27,414.89
(Increase) Decrease in Other Current Assets	(540,414.09)	65,909.61
(Increase) in Other Assets	(3,500.00)	-
Increase in Accounts Payable	537,809.86	133,139.87
Increase (Decrease) in Accrued Liabilities	3,562.34	(433.54)
Increase (Decrease) in Customer Deposits	95.00	(60,651.53)
Increase (Decrease) in Income Tax Payable	<u>12,011.00</u>	<u>2,369.00</u>
<u>NET CASH (USED) PROVIDED BY OPERATING ASSETS AND LIABILITIES</u>	<u>(436,227.90)</u>	<u>87,995.56</u>
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>(138,062.46)</u>	<u>(271,140.07)</u>
<u>INVESTING ACTIVITIES</u>		
Distributions from Affiliate	112,698.00	115,078.33
Purchase of Property, Plant & Equipment	<u>(45,418.00)</u>	<u>(61,445.00)</u>
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	<u>67,280.00</u>	<u>53,633.33</u>
<u>FINANCING ACTIVITIES</u>		
Increase (Decrease) in Notes Payable	<u>272,125.66</u>	<u>(48,515.69)</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>201,343.20</u>	<u>(266,022.43)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>78,714.32</u>	<u>344,736.75</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>280,057.52</u>	<u>78,714.32</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash Paid During the Years Ended April 30, 1996 and April 30, 1995 for:		
Income Taxes	<u>800.00</u>	<u>800.00</u>
Interest	<u>49,456.71</u>	<u>51,525.00</u>

Angeles Chemical Co., Inc.

OTHER INCOME (EXPENSES)

For the Years Ended April 30, 1996 and April 30, 1995

	<u>Schedule 1</u>			
	<u>1996</u>	<u>%</u>	<u>1995</u>	<u>%</u>
Income Split - Samson Chemical Co.	90,370.64	1.31	119,965.13	1.81
Terminating Charges	22,645.90	0.33	32,143.29	0.49
Interest Income	3,260.93	0.05	6,630.57	0.10
Claims Expense	(5,063.62)	(0.07)	(8,576.10)	(0.13)
Compensation Insurance Dividend	-		36,322.81	0.55
Contamination Proceeds (Expense)	542,195.68	7.88	(168,443.00)	(2.55)
Casualty Loss	(7,133.44)	(0.10)	-	0.00
Factoring Discount	(8,595.58)	(0.12)	-	0.00
Miscellaneous Income	4,526.31	0.07	168.14	0.00
Miscellaneous Expense	(701.00)	(0.01)	-	0.00
Interest Expense	(49,456.71)	(0.72)	(51,525.00)	(0.78)
<u>NET OTHER INCOME (EXPENSE)</u>	<u>592,049.11</u>	<u>8.61</u>	<u>(33,314.16)</u>	<u>(0.50)</u>

BR000072

Angeles Chemical Co., Inc.

BALANCE SHEETS SCHEDULES

April 30, 1996 and April 30, 1995

Schedule 2

DEFERRED CHARGES

	<u>1996</u>	<u>1995</u>
Property Taxes	1,974.34	1,922.22
Insurance	72,402.80	95,511.00
Lease	518.00	518.00
Excise Tax - Fuel	-	16,843.39
Taxes & Licenses	1,042.56	622.00
Employee Benefits	172.78	-
Other	10,121.62	14,933.27
Compensation Insurance	<u>3,710.19</u>	<u>5,170.64</u>
<u>TOTAL</u>	<u>89,942.29</u>	<u>135,520.52</u>

ACCRUED LIABILITIES

Commissions	16,849.31	5,801.90
Sales Taxes	1,493.21	9,590.80
Payroll	12,624.36	7,011.25
Other	<u>16,644.88</u>	<u>21,645.47</u>
<u>TOTAL</u>	<u>47,611.76</u>	<u>44,049.42</u>

TERM DEBT

	<u>Current</u>	<u>1996 Term</u>	<u>Total</u>
J. Locke	9,736.63	184,843.89	194,580.52
A. Rosenthal	9,736.63	184,843.89	194,580.52
N. Spieler, Trustee	9,736.63	184,843.89	194,580.52
Jaguar Credit Corp.	<u>5,732.67</u>	<u>25,357.03</u>	<u>31,089.70</u>
<u>TOTAL</u>	<u>34,942.56</u>	<u>579,888.70</u>	<u>614,831.26</u>

TERM DEBT

	<u>Current</u>	<u>1995 Term</u>	<u>Total</u>
J. Locke	9,035.22	194,580.52	203,615.74
A. Rosenthal	9,035.22	194,580.52	203,615.74
N. Spieler, Trustee	<u>9,035.22</u>	<u>194,580.52</u>	<u>203,615.74</u>
<u>TOTAL</u>	<u>27,105.66</u>	<u>583,741.56</u>	<u>610,847.22</u>

BR000073



SINGER TRAYNOR & CO.
Certified Public Accountants

DATE: October 29, 1990

FAX NO: (415) 435-9438

TO: E. Branstedt

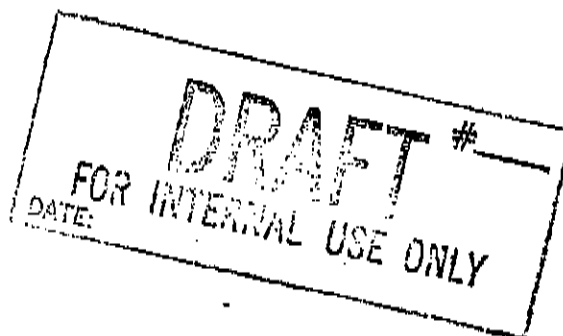
FROM: Mark Scholefield

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REMARKS: Here are the Draft Statements for Angeles
Chemicals which Ted Singer asked for be
sent to you

ANGELES CHEMICAL CO., INC.

APRIL 30, 1996 AND APRIL 30, 1995



BR000075

ANGELES CHEMICAL CO., INC.INDEX

1. Accountant's Compilation Report
2. Balance Sheets
3. Statements of Income and Retained Earnings
4. Statements of Cash Flow
5. Other Income (Expenses) - Schedule 1
6. Balance Sheet Schedules - Schedule 2

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FOR INTERNAL USE ONLY
DATE: _____

1020 112-68-66 : 7:00PM : 2187262411

SINGER, TRAYNOR & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

500 Citadel Drive, Suite 300
Los Angeles, CA 90040

213-726-2411

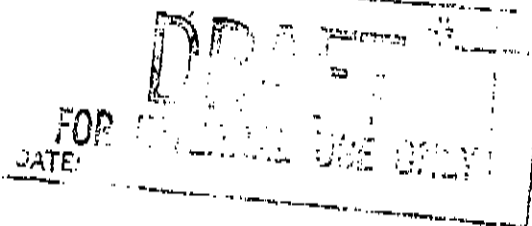
October 21, 1996

Angeles Chemical Co., Inc.
8915 Sorensen Ave.
Santa Fe Springs, CA 90670

The accompanying balance sheets of Angeles Chemical Co., Inc. as of April 30, 1996 and April 30, 1995 and the related statements of income and retained earnings and cash flow for the years then ended, have been compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.



Singer, Traynor & Co.
Certified Public Accountants

Angeles Chemical Co., Inc.

BALANCE SHEETS

April 30, 1996 and April 30, 1995

ASSETS

CURRENT ASSETS

	<u>1996</u>	<u>1995</u>
Cash	214,681.65	78,714.32
Accounts Receivable (Net of Bad Debts Allowances of \$5,000.00 and \$5,000.00 Respectively)	1,060,201.72	780,060.21
Inventories (Lower of Cost, FIFO or Market)	1,228,538.89	1,012,310.16
Due from Stallion Tank Lines, Inc.	30,228.28	49,841.28
Due from Samson Chemical Co.	173,799.85	259,210.16
Due from Litigation	640,000.00	-
Due from Other	450.00	-
Employee Advances	21,958.36	16,970.96
Deferred Charges - Schedule 2	<u>91,977.63</u>	<u>135,520.52</u>
<u>TOTAL CURRENT ASSETS</u>	<u>3,461,836.40</u>	<u>2,332,627.61</u>

FIXED ASSETS (at Cost)

Land	648,000.00	648,000.00
Office Trailers	99,568.00	99,568.00
Trucks & Autos	212,632.14	189,801.00
Tanks & Plant Equipment	830,643.27	822,673.00
Furniture & Fixtures	241,765.55	237,148.00
Plant	<u>365,599.00</u>	<u>365,599.00</u>
<u>TOTAL</u>	<u>2,398,207.96</u>	<u>2,362,789.00</u>
Less: Accumulated Depreciation	<u>1,570,967.00</u>	<u>1,540,099.00</u>
<u>BOOK VALUE</u>	<u>827,240.96</u>	<u>822,690.00</u>

OTHER ASSETS

Deposits	6,080.00	2,580.00
Investment in Samson Chemical Co.	<u>6,786.51</u>	<u>29,113.87</u>
<u>TOTAL OTHER ASSETS</u>	<u>12,866.51</u>	<u>31,693.87</u>
<u>TOTAL ASSETS</u>	<u>4,301,943.87</u>	<u>3,187,011.48</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	1,535,368.59	997,558.73
Accrued Liabilities - Schedule 2	49,592.99	44,049.42
Income Taxes Payable	13,485.00	-
Note Payable - Bank of Whittier	203,260.26	-
Note Payable - Other	61,153.41	61,647.92
Drum Deposits	7,000.00	6,905.00
Term Debt - Current - Schedule 2	<u>34,942.56</u>	<u>27,105.66</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>1,904,802.81</u>	<u>1,137,266.73</u>

TERM DEBT - Schedule 2

<u>579,888.70</u>	<u>583,741.56</u>
-------------------	-------------------

SHAREHOLDERS' EQUITY

Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized;

54,065 Shares Issued & Outstanding

Paid in Capital

5,406.50	5,406.50
<u>105,723.80</u>	<u>105,723.80</u>
<u>1,704,472.06</u>	<u>1,704,472.06</u>

Angeles Chemical Co., Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1996 and April 30, 1995

	<u>1996</u>	<u>%</u>	<u>1995</u>	<u>%</u>
<u>SALES</u>				
<u>LESS: COST OF SALES</u>	6,877,227.82	100.00	6,615,466.19	100.00
<u>GROSS PROFIT</u>	<u>4,957,509.14</u>	<u>72.09</u>	<u>4,648,193.08</u>	<u>70.26</u>
	<u>1,919,718.68</u>	<u>27.91</u>	<u>1,967,273.11</u>	<u>29.74</u>
<u>OPERATING EXPENSES</u>				
Salaries & Wages	563,188.24	8.19	493,900.62	7.47
Compensation Insurance	26,330.66	0.38	32,071.93	0.48
Outside Labor	205,889.96	2.99	266,079.93	4.02
Insurance	124,025.96	1.80	122,209.27	1.83
Truck Expenses	151,380.19	2.20	208,772.39	3.16
Freight	161,506.08	2.33	154,774.21	2.34
Commissions	143,884.57	2.09	165,681.53	2.50
Rent	77,279.73	1.12	75,380.30	1.14
Repairs & Maintenance	117,843.68	1.71	119,641.56	1.81
Plant Expense	111,689.25	1.62	108,464.48	1.64
Printing Expense	9,198.59	0.13	11,723.21	0.18
Tank Testing & Lab Expense	-	0.00	25,479.97	0.39
Auto & Travel	20,946.16	0.30	34,464.09	0.52
Bad Debts	21,429.82	0.31	3,451.39	0.05
Bank Charge	(180.00)	(0.00)	106.81	0.00
Telephone & Utilities	41,398.01	0.60	45,269.50	0.68
Depreciation	40,868.00	0.59	49,833.00	0.75
Payroll Taxes	55,188.70	0.80	49,060.38	0.74
Professional Services	54,267.52	0.79	54,714.20	0.83
Taxes & Licenses	49,302.20	0.72	43,606.43	0.66
Business Promotion	31,513.26	0.46	29,703.27	0.45
Office Supplies	29,956.77	0.44	25,724.52	0.39
Computer Expense	38,099.80	0.55	40,530.05	0.61
Advertising	5,249.71	0.08	11,752.55	0.18
Profit Sharing Expense	6,500.00	0.09	(467.00)	(0.01)
Employee Welfare	9,876.70	0.14	13,585.62	0.21
Dues & Subscriptions	9,685.08	0.14	9,480.56	0.14
Equipment Rental	32,379.86	0.47	21,450.68	0.32
Penalties	55.00	0.00	-	0.00
Seminars & Meetings	7,056.06	0.10	4,982.00	0.08
Donations	480.00	0.01	735.00	0.01
<u>TOTAL OPERATING EXPENSE</u>	<u>2,146,289.56</u>	<u>31.21</u>	<u>2,222,162.45</u>	<u>33.59</u>
<u>OPERATING (LOSS)</u>	<u>(226,570.88)</u>	<u>(3.29)</u>	<u>(254,889.34)</u>	<u>(3.85)</u>
<u>OTHER INCOME (EXPENSES)</u> - Schedule 1	<u>592,050.05</u>	<u>8.61</u>	<u>(33,314.16)</u>	<u>(0.50)</u>
<u>INCOME (LOSS) BEFORE INCOME TAXES</u>	<u>365,479.17</u>	<u>5.31</u>	<u>(288,203.50)</u>	<u>(4.36)</u>
Provision for Income Taxes	<u>14,230.00</u>	<u>0.21</u>	<u>800.00</u>	<u>0.01</u>
<u>NET INCOME (LOSS) TO RETAINED EARNINGS</u>	<u>351,249.17</u>	<u>5.11</u>	<u>(289,003.50)</u>	<u>(4.37)</u>
<u>RETAINED EARNINGS - BEGINNING</u>				

BR000079

Angeles Chemical Co., Inc.STATEMENTS OF CASH FLOWFor the Years Ended April 30, 1996 and April 30, 1995

	<u>1996</u>	<u>1995</u>
<u>OPERATING ACTIVITIES</u>		
Net Income (Loss)	351,249.17	(289,003.50)
Adjustments to Reconcile Net (Loss) to Net Cash Provided by Operating Activities:		
Equity in Income of Affiliate	(90,370.64)	(119,965.13)
Depreciation	<u>40,868.00</u>	<u>49,833.00</u>
<u>CASH PROVIDED (USED) BY OPERATIONS</u>	<u>301,746.53</u>	<u>(339,135.63)</u>
<u>CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES:</u>		
(Increase) Decrease in Accounts Receivable	(280,141.51)	46,542.97
(Increase) in Inventories	(216,228.73)	(126,295.71)
Decrease in Deferred Charges	43,342.87	27,414.89
(Increase) Decrease in Other Current Assets	(540,414.09)	65,909.61
(Increase) in Other Assets	(3,500.00)	-
Increase in Accounts Payable	537,809.86	133,139.87
Increase (Decrease) in Accrued Liabilities	5,543.57	(433.54)
Increase (Decrease) in Customer Deposits	95.00	(60,651.53)
Increase (Decrease) in Income Tax Payable	<u>13,485.00</u>	<u>2,369.00</u>
<u>NET CASH (USED) PROVIDED BY OPERATING ASSETS AND LIABILITIES</u>	<u>(439,808.03)</u>	<u>87,995.56</u>
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>(138,061.50)</u>	<u>(271,140.07)</u>
<u>INVESTING ACTIVITIES</u>		
Distributions from Affiliate	112,698.00	115,078.33
Purchase of Property, Plant & Equipment	<u>(45,418.96)</u>	<u>(61,445.00)</u>
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	<u>67,279.04</u>	<u>53,633.33</u>
<u>FINANCING ACTIVITIES</u>		
Increase (Decrease) in Notes Payable	<u>206,749.79</u>	<u>(48,515.69)</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>135,967.33</u>	<u>(266,022.43)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>78,714.32</u>	<u>344,736.75</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>214,681.65</u>	<u>78,714.32</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash Paid During the Years Ended April 30, 1996 and April 30, 1995 for: -		
Income Taxes	<u>800.00</u>	<u>800.00</u>
Interest	<u>49,456.71</u>	<u>51,525.00</u>

BR000080

Angeles Chemical Co., Inc.

BALANCE SHEETS SCHEDULES

April 30, 1996 and April 30, 1995

Schedule 2

DEFERRED CHARGES

	<u>1996</u>	<u>1995</u>
Property Taxes	1,974.34	1,922.22
Insurance	72,402.80	93,511.00
Lease	518.00	518.00
Excise Tax - Fuel	-	16,843.39
Taxes & Licenses	1,042.56	622.00
Employee Benefits	172.78	-
Other	10,121.62	14,933.27
Compensation Insurance	<u>5,745.55</u>	<u>5,170.64</u>
<u>TOTAL</u>	<u>91,977.65</u>	<u>135,520.52</u>

ACCRUED LIABILITIES

Commissions	16,849.31	5,801.90
Sales Taxes	3,474.42	9,590.80
Payroll	12,624.38	7,011.25
Other	<u>16,644.88</u>	<u>21,645.47</u>
<u>TOTAL</u>	<u>49,592.99</u>	<u>44,049.42</u>

TERM DEBT

	<u>1996</u>	<u>1995</u>
J. Locke	184,843.89	194,580.52
A. Rosenthal	184,843.89	194,580.52
N. Spieler, Trustee	184,843.89	194,580.52
Jaguar	<u>25,357.03</u>	<u>31,089.70</u>
<u>TOTAL</u>	<u>579,888.70</u>	<u>614,831.26</u>

TERM DEBT

	<u>Current</u>	<u>Term</u>	<u>Total</u>
J. Locke	9,035.22	194,580.52	203,615.74
A. Rosenthal	9,035.22	194,580.52	203,615.74
N. Spieler, Trustee	<u>9,035.22</u>	<u>194,580.52</u>	<u>203,615.74</u>
<u>TOTAL</u>	<u>27,105.66</u>	<u>583,741.56</u>	<u>610,847.22</u>

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DATE

Angeles Chemical Co., Inc.

OTHER INCOME (EXPENSES)

For the Years Ended April 30, 1996 and April 30, 1995

Schedule 1

	<u>1996</u>	<u>%</u>	<u>1995</u>	<u>%</u>
Income Split - Samson Chemical Co.	90,370.64	1.31	119,965.13	1.81
Terminating Charges	22,645.90	0.33	32,143.29	0.49
Interest Income	3,260.93	0.05	6,630.57	0.10
Claims Expense	(5,063.62)	(0.07)	(8,576.10)	(0.13)
Compensation Insurance Dividend	"		36,322.81	0.55
Contamination Proceeds (Expense)	542,195.68	7.88	(168,443.00)	(2.55)
Casualty Loss	(7,133.44)	(0.10)	-	0.00
Factoring Discount	(8,595.58)	(0.12)	-	0.00
Miscellaneous Income	4,526.31	0.07	168.14	0.00
Miscellaneous Expense	(700.06)	(0.01)	-	0.00
Interest Expense	<u>(49,456.71)</u>	<u>(0.72)</u>	<u>(51,525.00)</u>	<u>(0.78)</u>
<u>NET OTHER INCOME (EXPENSE)</u>	<u>592,050.05</u>	<u>8.61</u>	<u>(33,314.16)</u>	<u>(0.50)</u>

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(FAX # 213-726-3852) AND WE WILL RESEND.

REMARKS: Pursuant to our conversation, NOL carryovers to 1995
for Angeles Chemical as of 4/30/95 is \$371,952.

ANGELES CHEMICAL CO., INC.

APRIL 30, 1995 AND APRIL 30, 1994

SINGER, TRAYNOR & CO.
CERTIFIED PUBLIC ACCOUNTANTS
500 CITADEL DRIVE, SUITE 300
LOS ANGELES, CALIFORNIA 90040
TELEPHONE (213) 728-2411

14428 VENTURA BLVD., SUITE 101
SHERMAN OAKS, CALIFORNIA 91423-2664
TELEPHONE (818) 308-0250

BR000085

ANGELES CHEMICAL CO., INC.

APRIL 30, 1995 AND APRIL 30, 1994

ANGELES CHEMICAL CO., INC.

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SINGER, TRAYNOR & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
500 Citadel Drive, Suite 300
Los Angeles, CA 90040

November 21, 1995

Angeles Chemical Co., Inc.
8915 Sorensen Ave.
Santa Fe Springs, CA 90670

The accompanying balance sheets of Angeles Chemical Co., Inc. as of April 30, 1995 and April 30, 1994 and the related statements of income and retained earnings and cash flow for the years then ended, have been compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Singer, Traynor & Co.

Singer, Traynor & Co.
Certified Public Accountants

Angeles Chemical Co., Inc.

BALANCE SHEETS

April 30, 1995 and April 30, 1994

ASSETS

	<u>1995</u>	<u>1994</u>
<u>CURRENT ASSETS</u>		
Cash	78,714.32	344,736.75
Accounts Receivable (Net of Bad Debts Allowances of \$5,000.00 and \$5,000.00, Respectively)	780,060.21	826,603.18
Inventories	1,012,310.16	886,014.45
Due from Stallion Tank Lines, Inc.	49,841.28	62,015.51
Due from Samson	259,210.16	313,390.80
Due from Other		4,897.14
Employee Advances	16,970.96	11,628.56
Deferred Charges - Schedule 2	135,520.52	162,935.41
Franchise Tax Prepayment		2,369.00
<u>TOTAL CURRENT ASSETS</u>	<u>2,332,627.61</u>	<u>2,614,590.80</u>
<u>FIXED ASSETS (at Cost)</u>		
Land	648,000.00	648,000.00
Office Trailers	99,568.00	99,568.00
Trucks & Autos	189,801.00	161,272.00
Tanks & Plant Equipment	822,673.00	801,992.00
Furniture & Fixtures	237,148.00	230,556.00
Plant	365,599.00	359,956.00
<u>TOTAL</u>	<u>2,362,789.00</u>	<u>2,301,344.00</u>
Less: Accumulated Depreciation	<u>1,540,099.00</u>	<u>1,490,266.00</u>
<u>BOOK VALUE</u>	<u>822,690.00</u>	<u>811,078.00</u>
<u>OTHER ASSETS</u>		
Deposits	2,580.00	2,580.00
Investment in Samson	29,113.87	24,227.07
<u>TOTAL OTHER ASSETS</u>	<u>31,693.87</u>	<u>26,807.07</u>
<u>TOTAL ASSETS</u>	<u>3,187,011.48</u>	<u>3,452,475.87</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

<u>CURRENT LIABILITIES</u>		
Accounts Payable	997,558.73	864,418.86
Accrued Liabilities - Schedule 2	44,049.42	44,482.96
Note Payable	61,647.92	85,010.68
Drum Deposits	6,905.00	67,556.53
Term Debt - Current - Schedule 2	27,105.66	25,152.93
<u>TOTAL CURRENT LIABILITIES</u>	<u>1,137,266.73</u>	<u>1,086,621.96</u>
<u>TERM DEBT - Schedule 2</u>	<u>583,741.56</u>	<u>610,847.22</u>
<u>SHAREHOLDERS' EQUITY</u>		
Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; 54,065 Shares Issued & Outstanding	5,406.50	5,406.50
Paid-In Capital	105,723.80	105,723.80
Retained Earnings	1,354,872.89	1,643,876.39
<u>TOTAL SHAREHOLDERS' EQUITY</u>	<u>1,466,003.19</u>	<u>1,755,006.69</u>
<u>TOTAL LIABILITIES & SHAREHOLDERS' EQUITY</u>	<u>3,187,011.48</u>	<u>3,452,475.87</u>

SEE ACCOUNTANT'S COMPILATION REPORT

BR000089

Angeles Chemical Co., Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1995 and April 30, 1994

	<u>1995</u>	<u>%</u>	<u>1994</u>	<u>%</u>
<u>SALES</u>	6,615,466.19	100.00	6,975,932.38	100.00
<u>LESS: COST OF SALES</u>	<u>4,648,193.08</u>	<u>70.26</u>	<u>4,764,547.39</u>	<u>68.30</u>
<u>GROSS PROFIT</u>	<u>1,967,273.11</u>	<u>29.74</u>	<u>2,211,384.99</u>	<u>31.70</u>
<u>OPERATING EXPENSES</u>				
Salaries & Wages	493,900.62	7.47	416,243.63	5.96
Compensation Insurance	32,071.93	0.48		
Outside Labor	266,079.93	4.02	309,052.73	4.43
Insurance	122,209.27	1.85	166,414.61	2.39
Truck Expense	208,772.39	3.16	170,364.87	2.44
Freight	154,774.21	2.34	125,771.21	1.80
Commissions	165,681.53	2.50	175,677.76	2.52
Rent	75,380.30	1.14	186,443.16	2.67
Repairs & Maintenance	119,641.56	1.81	123,282.30	1.77
Plant Expense	108,464.48	1.64	97,508.46	1.40
Printing Expense	11,723.21	0.18	21,153.02	0.30
Tank Testing & Lab Expense	25,479.97	0.39	30,271.15	0.43
Auto & Travel	34,464.09	0.52	44,657.76	0.64
Bad Debts	3,451.39	0.05	4,750.57	0.07
Bank Charge	106.81		1,207.54	0.02
Telephone & Utilities	45,269.50	0.68	44,352.58	0.64
Depreciation	49,833.00	0.75	49,233.65	0.71
Payroll Taxes	49,060.38	0.74	38,452.60	0.55
Professional Services	54,714.20	0.83	223,056.99	3.20
Taxes & Licenses	43,606.43	0.66	32,961.37	0.47
Business Promotion	29,703.27	0.45	21,458.91	0.31
Office Supplies	25,724.52	0.39	20,978.45	0.30
Computer Expense	40,530.05	0.61	53,961.01	0.77
Advertising	11,752.55	0.18	17,175.56	0.25
Profit Sharing Expense	(467.00)	(0.01)	8,000.00	0.11
Employee Welfare	13,585.62	0.21	9,415.53	0.13
Dues & Subscriptions	9,480.56	0.14	9,006.75	0.13
Equipment Rental	21,450.68	0.32	15,223.10	0.22
Seminars & Meetings	4,982.00	0.08	5,385.50	0.08
Donations	735.00	0.01	775.00	0.01
<u>TOTAL OPERATING EXPENSES</u>	<u>2,222,162.45</u>	<u>33.59</u>	<u>2,422,235.77</u>	<u>34.72</u>
<u>OPERATING (LOSS)</u>	<u>(254,889.34)</u>	<u>(3.85)</u>	<u>(210,850.78)</u>	<u>(3.02)</u>
<u>OTHER (EXPENSES) INCOME</u> - Schedule 1	<u>(33,314.16)</u>	<u>(0.50)</u>	<u>157,207.83</u>	<u>2.25</u>
<u>(LOSS) BEFORE INCOME TAXES</u>	<u>(288,203.50)</u>	<u>(4.35)</u>	<u>(53,642.95)</u>	<u>(0.77)</u>
Provision for Income Taxes	800.00	0.01	800.00	0.01
<u>NET (LOSS) TO RETAINED EARNINGS</u>	<u>(289,003.50)</u>	<u>(4.36)</u>	<u>(54,442.95)</u>	<u>(0.78)</u>
<u>RETAINED EARNINGS - BEGINNING</u>	<u>1,643,876.39</u>		<u>1,698,319.34</u>	
<u>RETAINED EARNINGS - ENDING</u>	<u>1,354,872.89</u>		<u>1,643,876.39</u>	

SEE ACCOUNTANT'S COMPILATION REPORT

BR000090

Angeles Chemical Co., Inc.

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1995 and April 30, 1994

	<u>1995</u>	<u>1994</u>
<u>OPERATING ACTIVITIES</u>		
Net (Loss)	(289,003.50)	(54,442.95)
Adjustments to Reconcile Net (Loss) to Net Cash Provided by Operating Activities:		
Equity in Income of Affiliate	(119,965.13)	(127,100.98)
(Gain) on Sale of Depreciable Assets		(1,927.00)
Depreciation	<u>49,833.00</u>	<u>49,233.65</u>
<u>CASH (USED) BY OPERATIONS</u>	<u>(359,135.63)</u>	<u>(134,237.28)</u>
<u>CASH PROVIDED (USED) BY OPERATING ASSETS AND LIABILITIES:</u>		
Decrease in Accounts Receivable	46,542.97	152,185.80
(Increase) Decrease in Inventories	(126,295.71)	118,831.62
Decrease in Deferred Charges	27,414.89	28,575.04
Decrease in Other Current Assets	65,909.61	128,853.43
(Increase) in Other Assets		(2,580.00)
Decrease in Drum Inventory		5,680.88
(Decrease) in Accounts Payable	133,139.87	(247,856.98)
(Decrease) Increase in Accrued Liabilities	(433.54)	(62,503.90)
Increase (Decrease) in Customer Deposits	(60,651.53)	7,871.53
(Decrease) Increase in Franchise Tax Payable	<u>2,369.00</u>	<u>(4,100.00)</u>
<u>NET CASH PROVIDED BY OPERATING ASSETS AND LIABILITIES</u>	<u>87,995.56</u>	<u>124,957.42</u>
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>(271,140.07)</u>	<u>(9,279.86)</u>
<u>INVESTING ACTIVITIES</u>		
Distributions from Affiliate	115,078.33	126,560.19
Proceeds from Disposal of Property, Plant & Equipment		2,718.14
Purchase of Property, Plant & Equipment	(61,445.00)	(728,193.00)
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>53,633.33</u>	<u>(598,914.67)</u>
<u>FINANCING ACTIVITIES</u>		
Increase in Notes Payable	(48,515.69)	635,964.72
<u>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(266,022.43)</u>	<u>27,770.19</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>344,736.75</u>	<u>316,966.56</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>78,714.32</u>	<u>344,736.75</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash Paid During the Years Ended April 30, 1995 and April 30, 1994 for:		
Income Taxes	<u>800.00</u>	<u>4,900.00</u>
Interest	<u>51,525.00</u>	<u>16,035.71</u>

SEE ACCOUNTANT'S COMPILATION REPORT

BR000091

Angeles Chemical Co., Inc.

OTHER INCOME (EXPENSES)

Schedule 1

For the Years Ended April 30, 1995 and April 30, 1994

	<u>1995</u>	<u>%</u>	<u>1994</u>	<u>%</u>
Income Split - Samson	119,965.13	1.81	127,100.98	1.82
Terminating Charges	32,143.29	0.49	37,567.90	0.54
Interest Income	6,630.57	0.10	6,932.98	0.10
Claims Expense	(8,576.10)	(0.13)		
Compensation Insurance Dividend	36,322.81	0.55		
Contamination Expense	(168,443.00)	(2.54)		
Gain on Sale of Fixed Assets			1,927.00	0.03
Miscellaneous Income	168.14		389.60	0.01
Miscellaneous Expense			(674.92)	(0.01)
Interest Expense	(51,525.00)	(0.78)	(16,035.71)	(0.24)
<u>NET OTHER (EXPENSES) INCOME</u>	<u>(33,314.16)</u>	<u>(0.50)</u>	<u>157,207.83</u>	<u>2.25</u>

SEE ACCOUNTANT'S COMPILATION REPORT

BR000092

Angeles Chemical Co., Inc.

BALANCE SHEET SCHEDULES

Schedule 2

April 30, 1995 and April 30, 1994

	<u>1995</u>	<u>1994</u>
<u>DEFERRED CHARGES</u>		
Property Taxes	1,922.22	1,472.26
Insurance	95,511.00	113,974.00
Lease	518.00	2,798.13
Excise Tax - Fuel	16,843.39	4,154.45
Taxes & Licenses	622.00	
Compensation Insurance	5,170.64	5,667.13
Other	<u>14,933.27</u>	<u>34,869.44</u>
<u>TOTAL</u>	<u>135,520.52</u>	<u>162,935.41</u>

ACCRUED LIABILITIES

Commissions	5,801.90	10,245.94
Payroll Taxes		868.36
Sales Taxes	9,590.80	2,548.82
Payroll	7,011.25	5,345.51
ESOP Expense		6,850.00
Other	<u>21,645.47</u>	<u>18,624.33</u>
<u>TOTAL</u>	<u>44,049.42</u>	<u>44,482.96</u>

	<u>Current</u>	<u>1995</u> <u>Term</u>	<u>Total</u>
<u>TERM DEBT</u>			
J. Locke	9,035.22	194,580.52	203,615.74
A. Rosenthal	9,035.22	194,580.52	203,615.74
N. Spieler, Trustee	<u>9,035.22</u>	<u>194,580.52</u>	<u>203,615.74</u>
<u>TOTAL</u>	<u>27,105.66</u>	<u>583,741.56</u>	<u>610,847.22</u>

	<u>Current</u>	<u>1994</u> <u>Term</u>	<u>Total</u>
<u>TERM DEBT</u>			
J. Locke	8,384.31	203,615.74	212,000.05
A. Rosenthal	8,384.31	203,615.74	212,000.05
N. Spieler, Trustee	<u>8,384.31</u>	<u>203,615.74</u>	<u>212,000.05</u>
<u>TOTAL</u>	<u>25,152.93</u>	<u>610,847.22</u>	<u>636,000.15</u>

SEE ACCOUNTANT'S COMPILATION REPORT

BR000093

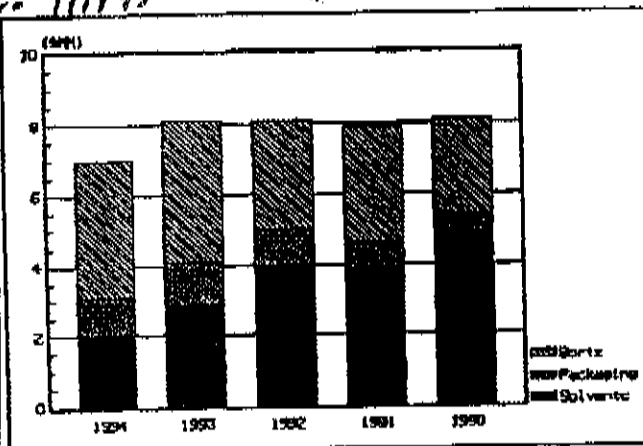
III. THE COMPANY

History

1.55 Angeles Chemical is a resale/distributor of liquid industrial and consumer product chemicals used in coating and other processes. In fiscal 1994, sales of solvents were \$2.6 million, packaging—\$1.4 million and Bortz—\$2.9 million.

Note Packaging was combined with Bortz effective 11/1/95

Anchem
Sales Profile
F1994-1990



Note
Sanson Sales
were 3.4 mil.

30 As illustrated in the above graph, there continues to be a relative and absolute decline in lower gross margin commercial solvent sales since fiscal 1990, which sales mix change contributed to a Company gross margin gain to 32% in fiscal 1995 from 23-25% for several prior years. Specifically, since fiscal 1991 solvent sales have fallen from \$3.9 million to \$2 million while packaging and Bortz sales gained \$1.0 million to nearly \$5 million. In fiscal 1994 solvent sales fell \$800,000 year to year, while Bortz and packaging were off about \$200,000, the first annual drop in the sectors. Bortz is a packager of paint thinner and finishes for the consumer/retail market and its gross margins are over fifty percent better than those for solvents. Anchem's consumer/industrial sales mix is now 70/30, up from 50/50 in earlier periods.

Since the peak in 1982 at \$16.8 million, Company dollar sales have fallen 60% to \$7 million in fiscal 1994. Physical volume has declined even more because of periodic price increases. The 14-year sales drop reflects the loss of major accounts as many commercial customers moved out of Southern California or changed their supplier source away from Southern California. The ever-increasing environmental regulations in Greater Los Angeles have created an expensive and difficult operating circumstance for chemical processors and distributors and their customers. The 1990-93 recession in the region was also a factor. Management continues to emphasize less environmentally sensitive consumer products.

119 In 1994, Anchem had about 120 active industrial customers and 350 in the packaging division, both down from recent years and reflecting the continuation of a long-term trend. Most are

located in Southern California. Ellis Paint Company, owned by Robert Berg, an Anchem founder and shareholder, is an important customer.

Anchem's basic raw materials are these organic chemicals—propylene, glycol, toluene, ethylene glycol, acetone, mineral spirits, 1-1-1 trichloroethane, and alcohols. These are forms of petroleum distillates which are purchased from Shell, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and four above-ground tanks (old railroad tank cars): one of 10,000 gallons capacity and three of 6,000 gallons each. Some of the storage tanks are not now used given the decline in sales and volume since the 1980s.

Anchem operates out of administrative offices and packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The structures and improvements are Company-owned, while the underlying real estate had been owned by a partnership comprised of the three founding stockholders—John Locke, Robert Berg and Arnold Rosenthal. (Mr. Rosenthal is no longer active in the Company.) On January 1, 1994, title for the 1.8 acre land parcel was transferred by the partnership to the Company in consideration of three equal 14-year \$216,000 notes (aggregating \$648,000) paying 7.5% annual interest. The total yearly principal and interest payments of \$72,000 equal the rent paid to the partnership and the transaction is therefore cash flow neutral to Anchem (on a pretax basis).

The land transfer price was determined by the three parties on other than an arm's-length "third party" negotiated basis and which basis was not specifically disclosed to the appraiser. Given the property environmental clean-up yet to be completed and the land's location next to a Superfund site, the appraiser believes the independently determined fair market value (FMV) of the real property may be below the \$648,000 capitalized on Anchem's financial statements as of April 30, 1994. Therefore, the appraiser recommends that the ESOP Trustee obtain a real property FMV from a qualified independent commercial real estate appraiser for reference in future ESOP valuations.

In addition to its Santa Fe Springs facility, Anchem rents a warehouse in Santa Fe Springs for de-crating, and uses a Los Angeles public warehouse for distribution—replacing a terminated warehouse lease with Robert Berg.

As of the summer of 1994, Anchem had 21 full-time employees versus 22 a year earlier. *28 (hired temp labor)*

Samson Chemical Co. Joint Venture

On March 31, 1991, Anchem entered into a five and a half year agreement with Saramco, Inc., dba Samson Chemical Co., to operate on a joint venture basis for five years beginning October 1, 1991. If the joint venture is still effective on September 30, 1996, Samson will cease operations and transfer to Anchem its distributor relationships and its business and customer accounts. In the interim, both companies maintain separate operations (at Santa Fe Springs) and customers. Through this affiliation, Anchem was able to broaden its product line to include epoxy products. *10.1*

On a combined basis, Anchem/Samson sales in fiscal 1994 were \$10.6 million, indicating Samson's sales are running at \$2.6 million annually. Samson's income (as defined by the

3.4

120000 127000
 agreement) is shared equally by the partners. In fiscal 1994, Anchem's income share was booked at \$127,000 versus \$120,000 in fiscal 1993.

For further details on this joint venture, see the November 1991 valuation report.

Anchem also has a distribution agreement with East Bay Oil, a Northern California chemical distributor, and a Phoenix warehouse to further broaden its customer, business and geographic base and replace lost sales in the Los Angeles Basin.

Management and Ownership

The Company senior management as of April 1994 consisted of:

<u>Officer</u>	<u>Title</u>	<u>Joined Co.</u>	<u>Age</u>
John Locke	President, CEO	1971	61 62
Robert Berg	Secretary/Treasurer	1971	62 63
Robert Custer	President - Samson Chemical	1990	61
James Locke	Operations Manager	1985	30
Tim Mahoney	Controller	1990	37

Robert Custer is a chemical engineer with experience in chemical distribution and as such provides important management and sales support for John Locke. Mr. Custer is concentrating on the industrial market and Mr. Locke on retail and proprietary products.

The Board of Directors consists of John Locke, Robert Berg, and Arnold Rosenthal, all founders. As of late 1994, Mr. Berg is taking a more active management role at Anchem, particularly with the January 1, 1995 implementation of the Responsible Distribution Process (see below).

As of April 30, 1994 there were 40,000 Class A and 14,065 Class B common shares outstanding (excluding treasury stock) as follows:

<u>Holder</u>	<u>Number of Shares</u>	
John Locke	20,000 A shares	37 %
Robert Berg	20,000 A shares	37
ESOP	14,065 B shares	26
Total	54,065 A&B shares	100 %

Class A common stock is voting and Class B is nonvoting. Otherwise, the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraisers or by Bramstedt & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues.

8915 SORENSEN AVE., SANTA FE SPRINGS, CA 90670

FAX

Date: 12/13/95
Number of pages including cover sheet: 2

To:

Eric Bramstedt

Phone:

Fax phone:

CC:

From:

Tim Mahoney
Angelo's ChemicalPhone: 310-945-3911Fax phone: 310-698-7571

REMARKS:

☐

Urgent

☐

For your review

☐

Reply ASAP

☐

Please comment

John asked for a valuation as soon as possible. We are applying for a line of credit and will need it.

Thanks

3) RDC (Cont'd)

- 26 margin training program.
- Bob Berg (Ellis) and Ellis visiting in May of these.

4) Overall environment

- Beginning to limit risks!
- More expenditures less violations
- Worker Comp "Rating" has dropped for 2849. To 112% in 3 yrs
significant premium reduction.

5) Operations

- Some raw material price up - well open through
- Chemical + 15%
- Coaltoal + 40%
- Plaster contains + ?
- Gasoline price up 10% ??

6) Environmental Compliance

→ A) SCS workway up in 1994. CALEPA
Why - to Condo.

B) By 1998 mat pull 324 U. To. & replace some with double wall.

② Funding 77 for dirt (TR) End of
Sanon deal in 2/96 well provide rock flow (now)

9.) To Complete F94 FMV:

- La Conde
- New CPA - more diligencia / input - ^{Accounting} Inventory
- S+5 Lawya

To Complete F94 FMV

- Need to understand land transfer
- FMV in mt. Comraguana.

10.) Issues for F1994 FMV

- Further sales process stabilization
- B/S OK
- May be reducing bureau risk
- Adopting RDP - Critical - Ben participating
- Environmental (SES costs) continue!
- Legal cost continue
- S+5 settlement - avoid positive money spent.

Amesbury

4/30/94

Tech Design, CPA on

1. Brought in by Rosenthal (long time client)
2. Thinks Amesbury should have on-site
at least full time Controller.
3. AT 4/30/94 Operating T L C F for IRS was \$106,000
4. Amending F 1994 statements to reflect
property transaction as of 1/1/94. Result:
for 4 months of FY 1994 rent on property
becomes. Special P + I payment; capitalize
re. property at transaction price and 5/4
note.
5. B/S. Items (Reviewed by Ted)
 - Bank accounts "reconcilable (aging) "imptalk"
(Standard Bank?)
 - Filed 2 Grants - OK - Both need written down.
 - Problems with check deposits
 - General accounting not up to standards
 - A/C Record need attention & upgrading

Sansome Street Appraisers, Inc.

Mendham, New Jersey

*114 Sansome Street, Suite 808
San Francisco, California 94104-3818
(415) 362-9900
Fax (415) 362-6692*

January 31, 1995

PERSONAL AND CONFIDENTIAL

Mr. John Locke
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Dear John:

Enclosed are three copies of the Anchem ESOP valuation study for April 30, 1994 and our invoice for \$3,600, which includes a \$650 fee for my December 12th field visit and special due diligence work. The extra due diligence included several key issues: update on the ongoing SCS remedial and compliance work; the property transfer; the Spencer & Young case and jury award; and the amended fiscal 1994 financial statements.

Sincerely yours,



Eric M. Bramstedt

EMB:ew
enclosures

BR000101

Sansome Street Appraisers, Inc.

Mendham, New Jersey

*114 Sansome Street, Suite 808
San Francisco, California 94104-3818
(415) 362-9900
Fax (415) 362-6492*

January 31, 1995

Employee Stock Ownership Plan
Administrative Committee
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Attn: Mr. John Locke

INVOICE

Base fee due for the update valuation of Angeles Chemical Co. for Employee Stock Ownership Plan purposes as of April 30, 1994	\$2,950
Fee for field visit on December 12, 1994 and special due diligence	<u>650</u>
Total due	<u>\$3,600</u>

Note: Out-of-pocket expenses for the December 12, 1994 field visit previously invoiced on January 19, 1995.

Thank you.

EMB:ew

Nº 10503

BR000102

Encham

FMV - 4/30/94

Asset Approach

1. No prima reference to working capital
or FMV same because of debt (SH)
2. Use same 10% liquidation discount
and marketability discount
but no 10% goodwill premium

Stated B.V.	2,755,007
<u>less</u> 10% liquid-	
ation discount	175,501
	<u>1,579,506</u>

<u>less</u> 10% market-	
ability discount	157,951
FMV	<u>1,421,555</u>

Own 54,065 shs	<u>26.30 (R)</u>
----------------	------------------

Enchem

FMV - 4/30/94

Issues

- 1) Sales drop to 7mil (110%) after four year plateau at \$8mil.
- 2) Net loss of \$54k - first loss in 3 years.
(Heavy legal expenses)
- 3) Balance sheet leveraged with 5/4 15 year note
(over- equity). Reconfigure. No more intensive
Ratio determinate
- 4) Real estate on books probably above FMV.
(Need appraisal from MAI). convert
asset and note??
- 5) \$527,000 jury award not received since
occurred in Aug. 94.
- 6) Hanson "benefit" still 2 1/2 years away.





IT'S A FAX !!!

Tim - ANGELES CHEMICAL CO., INC.
8915 SORENSEN AVE.
SANTA FE SPRINGS, CA 90670

(310) 945-3911 FAX (310) 698-7571

12/19/94

TO: Eric Bramstedt

FROM: Tim Mahoney

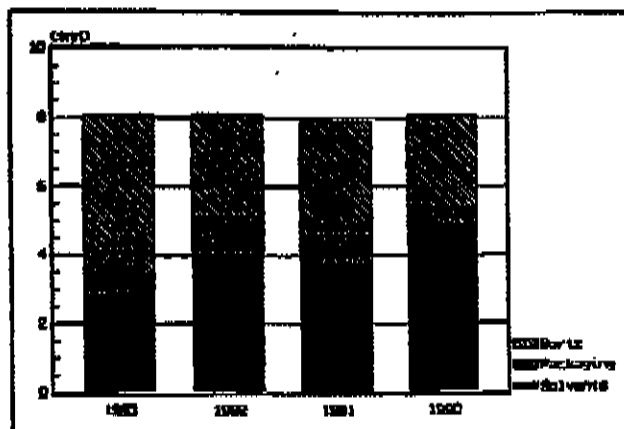
NUMBER OF PAGES (INCLUDES COVER) 7

MESSAGE: Following is the updated information
you wanted as well as one of the
documents for the land purchase.
Will see what else John can
give me tomorrow. The units of
measure for sales are all co-mingled and
a sales volume is not possible.

III. COMPANY

1.1 Angeles Chemical is a resale/distributor of liquid industrial and consumer product chemicals used in coating and other processes. In fiscal 1993, sales of solvents were \$2.8 million, packaging—\$1.2 million and Bortz—\$4.0 million.

Anchem
Sales Profile
1990-1993



As illustrated in the above graph, there has been a relative and absolute decline in lower gross margin commercial solvent sales since fiscal 1990-91, which contributed to a Company gross margin gain to 30% in fiscal 1993 from 23-25% for several prior years. Specifically, since fiscal 1991 solvent sales have fallen from \$3.9 million to \$2.8 million while packaging and Bortz sales have gained \$1.2 million to nearly \$5.3 million. Bortz is a packager of paint thinner and finishes for the consumer/retail market and its gross margins of 36% are over fifty percent better than those for solvents. Anchem's consumer/industrial sales mix is now 60/40, up from 50/50 in recent periods.

Since the peak in 1982 at \$16.8 million, Company dollar sales have dropped over 50% to the \$8 million level for the past four fiscal years. Physical volume has declined even more because of periodic price increases. The decade-long sales drop reflects the loss of major accounts as several commercial customers moved out of Southern California or changed their supplier source away from Southern California. The ever-increasing environmental regulations in Greater Los Angeles have created an expensive and difficult operating circumstance for chemical processors and distributors and their customers. The current recession in the region is also a factor. Management continues to emphasize less environmentally sensitive consumer products.

In 1993, Anchem had about 120 active industrial customers and 350 in the packaging division, both down about 10% from a year earlier and reflecting the continuation of a long-term trend. Most are located in Southern California. Ellis Paint Company, owned by Robert Berg, an Anchem founder and shareholder, is an important customer.

Anchem's basic raw materials are these organic chemicals—propylene, glycol, toluene, ethylene glycol, acetone, mineral spirits, 1-1-1 trichloroethane, and alcohols. These are forms of petroleum distillates which are purchased from Shell, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and four above-ground tanks (old railroad tank cars): one of 10,000 gallons capacity and three of 6,000 gallons each.

Sold
X Anchem operates out of administrative offices and packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The structures and improvements are Company-owned, while the underlying real estate is owned by a partnership comprised of the three founding stockholders—John Locke, Robert Berg and Arnold Rosenthal. Mr. Rosenthal is no longer active in the Company. The long-contemplated sale of the underlying real estate to the Company by the partnership may occur during fiscal 1994. Anchem rents downtown Los Angeles warehouse space from Robert Berg. This lease was terminated subsequent to April 30, 1993.

X *Now renting warehouse in SFS for decorating and public warehouses for distri.*
As of the summer of 1993, Anchem had 22 full-time employees versus 26 a year earlier. The Company continues to increase temporary or part-time help, reflecting the higher packaging sales and reduce full-time employees.

Samson Chemical Co. Joint Venture *Stable 21 94*

On March 31, 1991, Anchem entered into a five and a half year agreement with Saramco, Inc., dba Samson Chemical Co., to operate on a joint venture basis for five years beginning October 1, 1991. If the joint venture is still effective on September 30, 1996, Samson will cease operations and transfer to Anchem its distributor relationships and its business and customer accounts. In the interim, both companies maintain separate operations (at Santa Fe Springs) and customers.

3.6
Prior to the joint venture arrangement, Samson was a Torrance, California-based industrial chemical distributor operating unprofitably on annual sales of \$3.5 million or about 45% of Anchem's size. Through this affiliation, Anchem was able to broaden its product line to include epoxy products. On a combined basis, Anchem/Samson sales in fiscal years 1993 and 1992 were just over ~~\$12~~ *10.6* million, indicating Samson's sales are now running about ~~\$4~~ *3.6* million annually.

Samson's income (as defined by the agreement) is shared equally by the partners. In fiscal 1993, Anchem's income share was booked at ~~\$139,000~~ *127* versus ~~\$128,000~~ *137* in fiscal 1992. *1993*

For further details on this joint venture, see the November 1991 valuation report.

Samson was Anchem's second business combination in five years. More recently, Anchem established a distribution agreement with East Bay Oil, a Northern California chemical distributor, and opened a Phoenix warehouse to further broaden its customer, business and geographic base and replace sales being lost in the Los Angeles Basin.

Management and Ownership

The Company senior management as of April 1993 consisted of:

<u>Officer</u>	<u>Title</u>	<u>Joined Co.</u>	<u>Age</u>
John Locke	President, CEO	1971	66
Robert Berg	Secretary/Treasurer	1971	61
Robert Custer	President - Samson Chemical	1990	60
James Locke	Operations Manager	1985	29
Tim Mahoney	Controller	1990	36

Robert Custer is a chemical engineer with experience in chemical distribution and as such provides important management and sales support for John Locke. Mr. Custer is concentrating on the industrial market and Mr. Locke on retail and proprietary products.

The Board of Directors consists of John Locke, Robert Berg, and Arnold Rosenthal, all founders.

~~Mr. Berg's primary employment is President of Ellis Palm Co.~~

As of April 30, 1993 there were 40,000 Class A and 14,065 Class B common shares outstanding (excluding treasury stock) as follows:

No change

<u>Holder</u>	<u>Number of Shares</u>	
John Locke	20,000 A shares	37%
Robert Berg	20,000 A shares	37
ESOP	14,065 B shares	26
Total	54,065 A&B shares	100%

Class A common stock is voting and Class B is nonvoting. Otherwise, the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraisers or by Bramstedt & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues.

Environmental Issues Update

Sox
SCS
The four previous valuation studies for the fiscal years ended September 1989 through 1992 discuss in detail the regional agencies which regulate Anchem's operating and environmental activities. According to management and SCS Engineers, its environmental consultant, as of April 30, 1993 the Company had no environmental agency violations or citations.

How
11/1/93
However, during fiscal 1993 and continuing into fiscal 1994, Anchem and SCS are working with the California EPA on its on-site program to investigate for possible groundwater contamination relating to an adjacent California Super Fund site (McKesson property). In this connection, Anchem incurred state fees and incremental services from SCS.

The prior reports also discuss testing and related work for soil and groundwater contamination continually undertaken by the Company and SCS since 1989 which so far has not uncovered any major problems or remedial work. Beginning in 1998, Anchem may be required to start replacing

ANGELES CHEMICAL CO., INC.

APRIL 30, 1994 AND APRIL 30, 1993

ANGELES CHEMICAL CO., INC.

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1. Accountant's Compilation Report
2. Balance Sheets
3. Statements of Income and Retained Earnings
4. Statements of Cash Flow
5. Other Income (Expenses) - Schedule 1
6. Balance Sheet Schedules - Schedule 2

SINGER, TRAYNOR & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
500 Citadel Drive, Suite 300
Los Angeles, CA 90040

January 17, 1995

Angeles Chemical Co., Inc.
8915 Sorensen Ave.
Santa Fe Springs, CA 90670

The accompanying corrected balance sheets of Angeles Chemical Co., Inc. as of April 30, 1994 and April 30, 1993 and the corrected related statements of income and retained earnings and cash flow for the years then ended, have been compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying corrected financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the corrected financial statements, they might influence the user's conclusions about the Company's financial position and results of operations. Accordingly, these corrected financial statements are not designed for those who are not informed about such matters.

The accompanying financial statements have been reissued to correct an understatement of fixed assets in the amount of \$648,000.00, an understatement of notes payable in the amount of \$638,000.15, an understatement of interest expense in the amount of \$12,000.15 and an overstatement of rent expense in the amount of \$24,000.00.

Singer, Traynor & Co.
Singer, Traynor & Co.
Certified Public Accountants

Angeles Chemical Co., Inc.
BALANCE SHEETS
April 30, 1994 and April 30, 1993
ASSETS

	<u>1994</u>	<u>1993</u>
<u>CURRENT ASSETS</u>		
Cash	344,736.75	318,986.56
Accounts Receivable (Net of Bad Debts Allowances of \$5,000.00 and \$5,000.00, Respectively)	826,603.18	978,788.98
Inventories	886,014.45	920,421.99
Due from Stallion Tank Lines, Inc.	62,015.51	153,894.70
Due from Samson	313,390.80	359,129.15
Due from Other	4,897.14	3,117.74
Employee Advances	11,628.56	4,643.85
Deferred Charges - Schedule 2	162,935.41	191,510.45
Franchise Tax Prepayment	2,369.00	
<u>TOTAL CURRENT ASSETS</u>	<u>2,614,590.80</u>	<u>2,928,473.42</u>
<u>FIXED ASSETS (at Cost)</u>		
Land	648,000.00	
Drums		127,752.96
Office Trailers	99,568.00	99,587.42
Trucks & Autos	161,272.00	204,966.38
Tanks & Plant Equipment	801,992.00	740,231.98
Furniture & Fixtures	230,558.00	215,785.20
Plant	359,958.00	357,370.47
<u>TOTAL</u>	<u>2,301,844.00</u>	<u>1,745,674.41</u>
Less: Accumulated Depreciation	<u>1,490,266.00</u>	<u>1,522,659.66</u>
<u>BOOK VALUE</u>	<u>811,078.00</u>	<u>223,014.75</u>
<u>OTHER ASSETS</u>		
Deposits	2,580.00	
Investment in Samson	24,227.07	23,686.28
<u>TOTAL OTHER ASSETS</u>	<u>26,807.07</u>	<u>23,686.28</u>
<u>TOTAL ASSETS</u>	<u>3,452,475.87</u>	<u>3,175,174.45</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

<u>CURRENT LIABILITIES</u>		
Accounts Payable	864,418.86	1,112,275.84
Accrued Liabilities - Schedule 2	44,482.96	106,986.86
Note Payable	85,010.68	85,046.11
Drum Deposits	67,558.53	59,685.00
Franchise Tax Payable		1,731.00
Term Debt - Current	25,152.98	
<u>TOTAL CURRENT LIABILITIES</u>	<u>1,086,621.96</u>	<u>1,365,724.81</u>
<u>TERM DEBT</u>	<u>610,847.22</u>	
<u>SHAREHOLDERS' EQUITY</u>		
Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; 54,065 Shares Issued & Outstanding	5,406.50	5,406.50
Paid-In Capital	105,723.80	105,723.80
Retained Earnings	1,643,876.99	1,698,319.34
<u>TOTAL SHAREHOLDERS' EQUITY</u>	<u>1,755,006.69</u>	<u>1,809,449.64</u>
<u>TOTAL LIABILITIES & SHAREHOLDERS' EQUITY</u>	<u>3,452,475.87</u>	<u>3,175,174.45</u>

SEE ACCOUNTANT'S COMPILATION REPORT

CORRECTED

BR000112

Angeles Chemical Co., Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1994 and April 30, 1993

	<u>1994</u>	<u>%</u>	<u>1993</u>	<u>%</u>
<u>SALES</u>	6,975,932.38	100.00	8,103,336.97	100.00
<u>LESS: COST OF SALES</u>	<u>4,764,547.39</u>	<u>68.30</u>	<u>5,690,953.27</u>	<u>70.23</u>
<u>GROSS PROFIT</u>	<u>2,211,384.99</u>	<u>31.70</u>	<u>2,412,383.70</u>	<u>29.77</u>
<u>OPERATING EXPENSES</u>				
Salaries & Wages	418,243.83	5.96	464,555.18	5.73
Outside Labor	309,052.73	4.43	362,179.87	4.47
Insurance	188,414.81	2.39	233,829.29	2.88
Truck Expense	170,364.87	2.44	162,836.38	2.01
Freight	125,771.21	1.80	157,692.85	1.94
Commissions - Bortz	175,677.78	2.52	153,770.83	1.90
Rent	186,443.16	2.67	143,880.01	1.78
Repairs & Maintenance	123,282.30	1.77	128,960.56	1.59
Plant Expense	97,508.48	1.40	97,726.24	1.21
Printing Expense	21,153.02	0.30	83,665.83	1.03
Tank Testing & Lab Expense	30,271.15	0.43	80,400.86	0.99
Auto & Travel	44,657.76	0.64	55,345.54	0.68
Bad Debts	4,750.57	0.07	46,254.96	0.57
Bank Charge	1,207.54	0.02		
Telephone & Utilities	44,352.58	0.64	45,912.25	0.57
Depreciation	49,233.65	0.71	43,768.16	0.54
Payroll Taxes	38,452.60	0.55	42,616.70	0.53
Professional Services	223,056.99	3.20	40,881.51	0.50
Taxes & Licenses	32,961.37	0.47	37,271.26	0.46
Business Promotion	21,458.91	0.31	30,950.33	0.38
Office Supplies	20,978.45	0.30	28,771.54	0.36
Computer Expense	53,961.01	0.77	28,412.87	0.35
Advertising	17,175.56	0.25	16,420.09	0.20
Profit Sharing Expense	8,000.00	0.11	16,200.00	0.20
Employee Welfare	9,415.58	0.13	11,167.08	0.14
Dues & Subscriptions	9,006.75	0.13	10,424.32	0.13
Equipment Rental	15,223.10	0.22	7,791.57	0.10
Seminars & Meetings	5,385.50	0.08	3,085.00	0.04
Donations	775.00	0.01	150.00	
<u>TOTAL OPERATING EXPENSES</u>	<u>2,422,235.77</u>	<u>34.72</u>	<u>2,534,920.88</u>	<u>31.28</u>
<u>OPERATING (LOSS)</u>	<u>(210,850.78)</u>	<u>(3.02)</u>	<u>(122,537.18)</u>	<u>(1.51)</u>
<u>OTHER INCOME (EXPENSES) - Schedule 1</u>	<u>157,207.83</u>	<u>2.25</u>	<u>175,911.06</u>	<u>2.17</u>
<u>(LOSS) INCOME BEFORE INCOME TAXES</u>	<u>(53,642.95)</u>	<u>(0.77)</u>	<u>53,373.88</u>	<u>0.66</u>
Provision for Income Taxes	800.00	0.01	4,131.00	0.05
<u>NET (LOSS) INCOME TO RETAINED EARNINGS</u>	<u>(54,442.95)</u>	<u>(0.78)</u>	<u>49,242.88</u>	<u>0.61</u>
<u>RETAINED EARNINGS - BEGINNING</u>	<u>1,698,319.34</u>		<u>1,649,076.46</u>	
<u>RETAINED EARNINGS - ENDING</u>	<u>1,643,876.39</u>		<u>1,698,319.34</u>	

SEE ACCOUNTANT'S COMPILATION REPORT

CORRECTED

BR000113

Angeles Chemical Co., Inc.

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1994 and April 30, 1993

	<u>1994</u>	<u>1993</u>
<u>OPERATING ACTIVITIES</u>		
Net (Loss) Income	(54,442.95)	49,242.88
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by Operating Activities:		
Equity in Income of Affiliate	(127,100.98)	(138,889.14)
(Gain) on Sale of Depreciable Assets	(1,927.00)	
Depreciation	<u>49,238.65</u>	<u>43,768.16</u>
<u>CASH (USED) BY OPERATIONS</u>	<u>(134,237.28)</u>	<u>(45,878.10)</u>
<u>CASH PROVIDED (USED) BY OPERATING ASSETS AND LIABILITIES:</u>		
Decrease in Accounts Receivable	152,185.80	84,254.00
Decrease (Increase) in Inventories	118,831.82	(45,724.00)
Decrease (Increase) in Deferred Charges	28,575.04	(13,920.00)
Decrease in Due from Others	128,858.43	
(Increase) in Other Assets	(2,580.00)	
Decrease in Drum Inventory	5,880.88	8,288.00
(Decrease) in Accounts Payable	(247,856.98)	(107,908.00)
(Decrease) Increase in Accrued Liabilities	(82,503.90)	49,385.00
Increase (Decrease) in Customer Deposits	7,871.53	(315.00)
(Decrease) Increase in Franchise Tax Payable	<u>(4,100.00)</u>	<u>203.00</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ASSETS AND LIABILITIES</u>	<u>124,957.42</u>	<u>(75,732.00)</u>
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>(9,279.86)</u>	<u>(121,610.10)</u>
<u>INVESTING ACTIVITIES</u>		
Employee Advances		(13,452.00)
Collections on Employee Advances		12,625.00
Distributions from Affiliate	128,560.19	152,381.00
Proceeds from Disposal of Property, Plant & Equipment	2,718.14	
Purchase of Property, Plant & Equipment	<u>(728,193.00)</u>	<u>(20,746.00)</u>
<u>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</u>	<u>(598,914.87)</u>	<u>130,808.00</u>
<u>FINANCING ACTIVITIES</u>		
Increase in Notes Payable	<u>635,964.72</u>	<u>15,190.00</u>
<u>INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>27,770.19</u>	<u>24,387.90</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>316,966.56</u>	<u>292,578.66</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>344,736.75</u>	<u>316,966.56</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash Paid During the Years Ended April 30, 1994 and April 30, 1993 for:		
Income Taxes	<u>4,900.00</u>	<u>2,400.00</u>
Interest	<u>4,085.56</u>	<u>5,818.13</u>

SEE ACCOUNTANT'S COMPILATION REPORT

CORRECTED

BR000114

Angeles Chemical Co., Inc.

OTHER INCOME (EXPENSES)

Schedule 1

For the Years Ended April 30, 1994 and April 30, 1993

	<u>1994</u>	<u>%</u>	<u>1993</u>	<u>%</u>
Income Split - Samson	127,100.98	1.82	138,889.14	1.71
Terminating Charges	37,567.90	0.54	33,165.88	0.41
Interest Income	6,982.98	0.10	7,861.11	0.10
Gain on Sale of Fixed Assets	1,927.00	0.03	2,650.00	0.03
Miscellaneous Income	389.60	0.01	1,338.06	0.02
Miscellaneous Expense	(674.92)	(0.01)	(2,175.00)	(0.03)
Interest Expense	<u>(16,035.71)</u>	<u>(0.24)</u>	<u>(5,818.13)</u>	<u>(0.07)</u>
<u>TOTAL</u>	<u>157,207.83</u>	<u>2.25</u>	<u>175,911.06</u>	<u>2.17</u>

SEE ACCOUNTANT'S COMPILATION REPORT

CORRECTED

BR000115

Angeles Chemical Co., Inc.

BALANCE SHEET SCHEDULES

Schedule 2

April 30, 1994 and April 30, 1993

	<u>1994</u>	<u>1993</u>
<u>DEFERRED CHARGES</u>		
Property Taxes	1,472.26	1,506.92
Insurance	113,974.00	152,355.43
Lease	2,798.13	518.00
Excise Tax - Fuel	4,154.45	7,057.78
Compensation Insurance	5,667.13	8,095.48
Other	<u>34,889.44</u>	<u>21,976.84</u>
<u>TOTAL</u>	<u>162,935.41</u>	<u>191,510.45</u>

ACCRUED LIABILITIES

Tank Testing		63,904.46
Commissions	10,245.94	11,430.05
Payroll Taxes	868.36	1,561.96
Sales Taxes	2,548.82	4,457.95
Payroll	5,345.51	5,846.64
ESOP Expense	6,850.00	1,850.00
Other	<u>18,624.33</u>	<u>18,435.80</u>
<u>TOTAL</u>	<u>44,482.96</u>	<u>106,986.86</u>

	<u>Total</u>	<u>Current</u>	<u>Term</u>
<u>TERM DEBT</u>			
J. Locke	212,000.05	8,384.31	203,615.74
A. Rosenthal	212,000.05	8,384.31	203,615.74
N. Spieler, Trustee	<u>212,000.05</u>	<u>8,384.31</u>	<u>203,615.74</u>
<u>TOTAL</u>	<u>636,000.15</u>	<u>25,152.93</u>	<u>610,847.22</u>

SEE ACCOUNTANT'S COMPILATION REPORT

CORRECTED

BR000116

ANGELES CHEMICAL CO., INC.
8915 Sorensen Avenue
Santa Fe Springs, CA 90670

Order No. _____ Escrow No. _____

SPACE ABOVE THIS LINE FOR RECORDER'S USE

58-012-009

DEED OF TRUST WITH ASSIGNMENTS OF RENTS

Deed is one of three Deeds of Trust, of even date, and all of which have equal priority,
DEED OF TRUST made the 1st day of October, 1993 between

ANGELES CHEMICAL CO., INC. herein called TRUSTOR,
a address is 8915 Sorensen Avenue, Santa Fe Springs, California 90670

(Number and Street)

(City)

(State)

(Zip Code)

AGO TITLE COMPANY, a California Corporation, herein called TRUSTEE, and John G. Locke
Janyce B. Locke, husband and wife, as community property, as to an
divided 1/3 interest herein called BENEFICIARY,
or irrevocably grants, transfers and assigns to Trustee in Trust, with Power of Sale that property in the City
of Santa Fe Springs County of Los Angeles California, described as:

See attached legal description

with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to
and apply such rents, issues and profits.

Purpose of Securing (1) payment of the sum of \$ 216,000.00 with interest thereon according to the terms of a promissory note or
of even date herewith made by Trustor to order of Beneficiary, and extensions or renewals thereof; (2) the performance of each agreement
not incorporated by reference or contained herein or reciting it is so secured; (3) Payment of additional sums and interest thereon which may hereafter
be due to Trustor, or his successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

and, the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and
agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A of that certain Fictitious Deed of Trust referenced
and it is mutually agreed that all of the provisions set forth in subdivision B of that certain Fictitious Deed of Trust recorded in the book and page of
Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

ITY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
ida	1288	856	Kings	858	713	Placer	1028	379	Sierra	38	187
	J	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	808	762
er	133	438	Lassen	182	367	Riverside	3778	347	Sotano	1287	621
	1330	513	Los Angeles	T-3878	874	Sacramento	71-10-28	815	Sonoma	2087	427
as	125	338	Madera	911	106	San Benito	300	408	Stanislaus	1970	56
	323	391	Marin	1849	122	San Bernardino	6213	768	Butler	655	585
s Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	437	183
orte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	886
ada	704	636	Merced	1880	753	San Luis Obispo	1311	137	Tulare	2530	108
o	5052	623	Modoc	181	83	San Mateo	4778	175	Tuolumne	177	180
oldt	488	76	Mono	69	302	Santa Barbara	2085	881	Ventura	2607	237
lal	801	83	Monterey	367	239	Santa Clara	6626	884	Yolo	769	16
	1189	701	Napa	794	742	Santa Cruz	1638	607	Yuba	398	693
	185	672	Nevada	363	94	Shasta	800	633			
	3760	680	Orange	7182	18	San Diego Series 5 Book 1364, Page 149774					

sure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions
B. (identical in all counties, and printed on the reverse side hereof) are by the within reference thereto, incorporated herein and made a part of this Deed
at for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided
thereof does not exceed the maximum allowed by laws.

The foregoing assignment of rents is absolute unless initialed here, in which case, the assignment serves as additional security.
ndesignated Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereunder set forth.

STATE OF CALIFORNIA)
COUNTY OF Los Angeles) S.S.
April 12, 1994 before me,

Kathryn A Graber

any Public in and for said County and State, personally appeared
John G. Locke, President
Robert O. Berg, Secretary

ally known to me (or proved to me on the basis of satisfactory
now) to be the person(s) whose name(s) is/are subscribed to the
instrument and acknowledged to me that he/she/they executed
me in his/her/their authorized capacity(ies), and that by his/her/their
ture(s) on the instrument the person(s), or the entity upon behalf
ich the person(s) acted, executed the instrument.

ESS my hand and official seal

ture Kathryn A Graber

ANGELES CHEMICAL CO., INC.
Signature of Trustor

John G. Locke
JOHN G. LOCKE, President

Robert O. Berg
ROBERT O. BERG, Secretary

(This area for official notarial seal)

NOTE SECURED BY DEED OF TRUST
(INSTALLMENT NOTE-INTEREST INCLUDED)

\$216,000.00

Santa Fe Springs, California
October 1, 1993

In installments as herein stated, for value received, the undersigned promises to pay to John G. Locke and Janyce B. Locke, husband and wife, as community property at Santa Fe Springs, California, the sum of two hundred sixteen thousand (\$216,000.00) dollars, with interest from October 1, 1993, on unpaid principal at the rate of seven and one half (7.5%) percent per annum; principal and interest payable in installments of two thousand (\$2,000.00) dollars or more on the first day of each month, beginning on the first day of October, 1993, and continuing until said principal and interest have been paid.

Each payment shall be credited first on interest then due and the remainder on principal; and interest shall thereupon cease upon the principal so credited. Should default be made in payment of any installment when due, the whole sum of principal and interest shall become immediately due at the option of the holder of this note. Principal and interest payable in lawful money of the United States. If action be instituted on this note, the undersigned promises to pay all costs of collection, including reasonable attorney's fees.

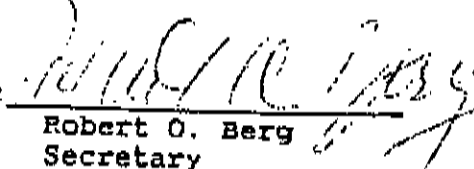
This note is secured by one of the three Deeds of Trust, of even date herewith, and all of which have equal priority, to Chicago Title Company as Trustee, executed by the undersigned in favor of the herein named payees, John G. Locke and Janyce B. Locke as to an undivided one third (1/3) interest; and is given as part of the purchase price for their ownership interest in the real property described in said Deed of Trust.

ANGELES CHEMICAL CO., INC.

By:


John G. Locke,
President

By:


Robert O. Berg
Secretary

Locke.Not

BR000118



Mr. Eric Bramsted⁺
114 Sansome Street, Suite 808
San Francisco, CA 94104-3818

October 31, 1994

RE: Valuation for the year ended April 30, 1994

Dear Eric:

Enclosed are the financial statements for our most recent year end. I thought you might review these before our meeting in a few weeks.

We had some major litigation expenses during the year which normally would not occur and caused the net loss for the year. We can discuss this and the status of the litigation when we meet.

Looking forward to seeing you.

Sincerely

Tim Mahoney

ANGELES CHEMICAL CO., INC.

8915 Sorensen Avenue • P.O. Box 2163 • Santa Fe Springs, California 90670
Telephone (818) 945-3911 • (214) 685-4386 (L.A.) • (714) 664-1260

310

BR000119

B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

January 20, 1995

Employee Stock Ownership Plan
Administrative Committee
Angeles Chemical Co., Inc.
P.O. Box 2163
Santa Fe Springs, California 90670

Attn: Mr. John Locke

You have requested that we express an opinion as to the fair market value of the common stock of Angeles Chemical Co., Inc. ("Anchem" or the "Company") as of April 30, 1994 for Employee Stock Ownership Plan (ESOP or "Plan") purposes. The purpose of this letter is to advise you of our opinion of value. The formal evaluation report will be forwarded under separate cover when completed.

In arriving at an appraisal of fair market value, some primary determinants of value are return on investment, growth potential and the investor's perception of risk. We have examined these factors as well as liquidity and other financial elements in analyzing the operating and financial performance of Anchem.

Our review and analysis places a fair market value on the common equity ownership of Anchem as of April 30, 1994 of \$1,421,555 or \$26.30 per share based on 54,065 shares outstanding. It is derived from an adjusted book value approach and is discounted for restricted marketability.

The appraiser understands that this valuation conclusion will be used primarily for Plan administration purposes at April 30, 1994. Before any future ESOP valuations are conducted, particularly where there are to be significant ESOP/company stock transactions, the appraiser requests the Trustee obtain an independently derived fair market valuation of the Company's recently acquired real property from a qualified commercial real estate appraiser.

Angeles Chemical Co., Inc.
January 20, 1995
Page two

It is important to note that this per-share fair market value is for transactions involving minority interest(s) in the Company's common stock. It does not reflect the value of Anchem as an entity or the value of a block of stock which would give a single buyer control of the Company. The value established is based on financial information through April 1994. Accordingly, this value should be valid not only for that date, but also for a reasonable period beyond it.

The valuation conclusion and the appraisal report are being prepared by Bramstedt & Associates as a subcontractor to Sansome Street Appraisers, Inc.

Sincerely,

BRAMSTEDT & ASSOCIATES, INC.

A handwritten signature in cursive script, appearing to read "Eric M. Bramstedt".

Eric M. Bramstedt, CFA

EMB:ew

cc: Tim Mahoney

BR000121

B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

**Evaluation
of the
Common Stock
of
ANGELES CHEMICAL CO.
as of
April 30, 1994**

**Prepared by:
Bramstedt & Associates, Inc.
January 1995**

2402 Vista Del Mar Lane Tiburon, CA 94920-1208 Tel 415-435-9438 Fax 415-435-9438

114 Sansome St., Suite 808 San Francisco, CA 94104-3818 Tel 415-362-9900 Fax 415-362-8492

BR000122

BRAMSTEDT

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

January 25, 1995

CONFIDENTIAL

Employee Stock Ownership Plan
Administrative Committee
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Attn: Mr. John Locke

Gentlemen:

You have requested we establish the fair market value of the common stock of Angeles Chemical Co. for Employee Stock Ownership Trust (ESOT) purposes as of April 30, 1994.

Our evaluation places a fair market value of \$1,421,555 on the common stock of Angeles Chemical Co. as of April 30, 1994. Based on 54,065 A and B common shares outstanding, the value per share is \$26.30. This evaluation is derived from modified adjusted book value and working capital approach and is discounted for restricted marketability. The valuation conclusion was transmitted to John Locke on January 20, 1995.

The valuation report was prepared by Bramstedt & Associates, Inc. as a subcontractor to Sansome Street Appraisers, Inc.

Earnings prospects can change, as can the general economic climate. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

Very truly yours,

BRAMSTEDT & ASSOCIATES, INC.



Eric M. Bramstedt, CFA
President

EMB:cw
enclosure

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Appendix I	Financial statements as of April 30, 1994	
Appendix II	Qualification of Bramstedt & Associates, Inc.	

I. INTRODUCTION AND SUMMARY

The Administrative Committee of the Angeles Chemical Company, Inc. Employee Stock Ownership Plan has requested that we evaluate the common stock of Angeles Chemical Company, Inc. ("Angeles Chemical," "Anchem" or the "Company") as of plan year end April 30, 1994 in order to determine the minority interest fair market value of the Company's common stock for annual Employee Stock Ownership Plan (ESOP) reporting purposes and for use in common stock transactions involving the Company's ESOP.

At April 30, 1994, Anchem's ESOP owned 14,065 B common shares of Company common stock (26% of the A and B common stock). During fiscal 1994, Anchem made an \$8,000 cash ESOP contribution.

Company Overview

Anchem is a closely held corporation with no present market for its common stock. It is a regional Southern California liquid chemical distributor whose products are used in industrial, commercial and retail/consumer applications. Sales in fiscal 1994 dropped 13.9% to just under \$7 million after stabilizing at \$8 million for fiscal 1990-1993. The Company recorded a net loss of \$54,000 in fiscal 1994 following two essentially break-even years. This loss was primarily attributable to heavy legal costs on Company-initiated litigation, most of which expense was nonrecurring. Soil and underground water contamination conditions at Anchem's plant are continuously being monitored and tested, which requires significant on-going testing and other costs. As of April 30, 1994 no major environmental liability or remedial responsibility had been revealed, although the Company will have to replace its underground storage tanks (USTs) before the end of the decade.

Like all chemical processors, Anchem and its customers are facing substantial environmental regulations in the Los Angeles Basin. These have seriously impacted Anchem's industrial business base and combined with the 1990-1993 California recession have caused Anchem to lose money three of the past five years as sales eroded.

Prior to fiscal 1994, Anchem had a debt-free balance sheet whose assets primarily comprised receivables and inventory, with some cash equivalents. Given the operating and financial circumstances, the ESOP valuation for several years was prepared on an asset rather than income basis. An adjusted book value approach was employed again at April 30, 1994 although the Company's balance sheet now reflects a large (shareholder) long-term note.

Valuation Criteria

We have valued the common stock of Anchem based upon: (1) the pertinent regulations and principles promulgated by the Internal Revenue Service and the Department of Labor; (2) an analysis of the Company's financial statements, forecasts and other information; (3) discussions with management; (4) analysis of the relevant industry conditions; and other factors.

The basic rules for valuation are laid down in Revenue Ruling 59-60 issued by the Internal Revenue Service in March 1959 (as modified by Revenue Ruling 65-193). The rulings define "fair market value" as follows:

"...the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state, in addition, that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and be well informed about the property and concerning the market for such property."

This definition is widely accepted and used in courts of law and in tax literature and is the most widely used approach in valuing closely held securities. It is the basic definition upon which we have relied in determining the fair market value of the Company's stock. Revenue Ruling 59-60 was issued for estate valuation purposes, but is not limited to that use. It serves as a guide in virtually all valuation situations requiring the determination of fair market value.

The Department of Labor has issued proposed regulations on "Adequate Consideration" which address valuation issues affecting Employee Stock Ownership Plans. These proposed regulations endorse Revenue Ruling 59-60 and set forth other factors to be considered in valuing securities for ESOP purposes.

Consequently, this report has considered the following factors:

- The history of the Company and the nature of the business
- General economic outlook and the outlook of the particular industry
- Book value of the stock and the financial condition of the business
- Earnings capacity of the Company
- Dividend paying capacity
- Whether the enterprise has goodwill or other intangible value
- Sales of stock and the size of the block to be valued
- Market prices of stock of other comparable companies traded on exchanges

These eight factors are fundamental to any appraisal of closely held securities. They are not, however, all-inclusive. Other factors relevant to the subject valuation were also considered.

Valuation History and Conclusion

This valuation represents an update of prior appraisals of Anchem's common stock for ESOP purposes prepared by this appraiser as a subcontractor to Sansome Street Appraisers, Inc., a wholly owned subsidiary of Menke & Associates, Inc. The following table summarizes our fair market value findings for the past five years:

Angeles Chemical Co.
Summary of Fair Market Value Determinations
F1994-1990

Date	Aggregate ESOP Value	Per Share	Percent of			Times	
			Sales	Assets	Equity	Gross Profit	Working Capital
4/30/94	\$1,421,555	\$26.30	20.4%	41.2%	81%	0.64X	0.93X
4/30/93	1,650,000	30.50	20.4	52.1	92	0.68	1.06
4/30/92	1,621,000	30.00	20.1	51.3	92	0.83	1.10
4/30/91	1,653,300	30.60	20.8	61.2	94	0.83	1.10
4/30/90	1,527,885	28.25	18.8	54.7	85	0.79	1.14

Based upon our analysis of Angeles Chemical Co., Inc., our experience in the valuation of closely held securities, and the consideration of the factors set forth in this report, we are of the opinion that the aggregate minority interest fair market value of the common stock of Anchem for Employee Stock Ownership Plan purposes as of plan year end April 30, 1994 was \$1,421,555, or \$26.30 per share based upon 54,065 shares of A and B common stock outstanding.

This determination of fair market value is based on an adjusted book value approach and is discounted for restricted marketability.

The appraiser understands that this valuation conclusion will be used primarily for Plan administration purposes at April 30, 1994. Before any future ESOP valuations are conducted, particularly where there are to be significant ESOP/Company stock transactions, the appraiser requests the Trustee obtain an independently derived fair market valuation from a qualified commercial real estate appraiser of the Company's real property acquired in January 1994.

Important Subsequent Event

In August 1994 a Los Angeles Superior Court jury awarded Anchem \$527,000 for damages suffered by the Company as a result of improper contractor installation of underground storage tanks and piping in the early 1980s which caused soil contamination. The defendant, Spencer and Jones (S&J), has posted bond and appealed the award, which appeal is expected to be heard by late 1995. If the award is sustained, the economic and financial effect on Anchem would be materially positive. This jury award occurred too far beyond the April 30, 1994 ESOP valuation date to be considered as a "contingent asset" for valuation purposes at that date but may be so considered at April 30, 1995. The S&J suit was originally filed in early 1993.

II. SCOPE AND LIMITATIONS OF THE VALUATION REPORT

Limitations

The purpose of this valuation report is to determine the fair market value of the common stock of Anchem on a minority interest basis as of plan year end April 30, 1994 for annual ESOP reporting purposes and for use in common stock transactions involving the Company's ESOP. Use of this report for other than its specifically stated purpose or by third parties may result in invalid conclusions.

In preparing this valuation, Bramstedt & Associates has relied upon and assumed the accuracy and completeness of all financial, statistical and other information provided by Anchem. Bramstedt & Associates has also considered information based upon other publicly available sources which it believes to be reliable; however, Bramstedt & Associates and the appraiser do not guarantee the accuracy and completeness of such information and have not independently verified the financial statements and other information. The appraiser is not aware of material omissions or understatements from management and other sources which would affect values contained in this report. The fair market value arrived at herein represents the appraiser's considered opinion based upon the facts and information presented to him. No legal opinion is expressed by this report and its accompanying documents.

This valuation report does not specifically address the financial impact, if any, of matters requiring special expertise or knowledge not generally held by business appraisers. As such, this report does not address in significant detail issues involving toxic contamination, hazardous waste, engineering and structural soundness, litigation and legal concerns, etc.

In preparing this valuation report, a variety of data and assumptions has been used. The financial information on past performance has been gathered from Anchem's financial statements for the past five fiscal years. We have included in Appendix I a copy of Anchem's most recent financial statements, prepared as a compilation, as amended, by Singer, Traynor & Co., CPAs, for the fiscal year ended April 30, 1994.

Projections of expected future financial performance through fiscal 1995 have been provided to us by the management of Anchem. Interviews have been held with members of management at the Company's Santa Fe Springs facility in December 1994 and with certain outside sources regarding certain Company events.

Neither the appraiser nor Bramstedt & Associates, Inc. has any present or contemplated future financial interest in Anchem, and the fee for this valuation is not contingent upon the fair market value determined. The qualifications of Bramstedt & Associates, Inc. to undertake this valuation are set forth in Appendix II.

Scope

The marketability of the subject company's stock, the control position of majority shareholders, and the relationship of these factors to the block of stock being valued can affect the concluded value. In valuing a block of stock, IRS Revenue Rulings and court decisions provide a basis for concluding that a discount is valid for an absence of marketability if the value base does not already reflect the lack of marketability. Further, a minority stock interest in a closed corporation is usually worth much less than a proportionate share of the entity value of all the corporate stock. Discounts can range from 10% to 30% or more. When minority interest and lack of marketability discounts are both applied, they are sequential.

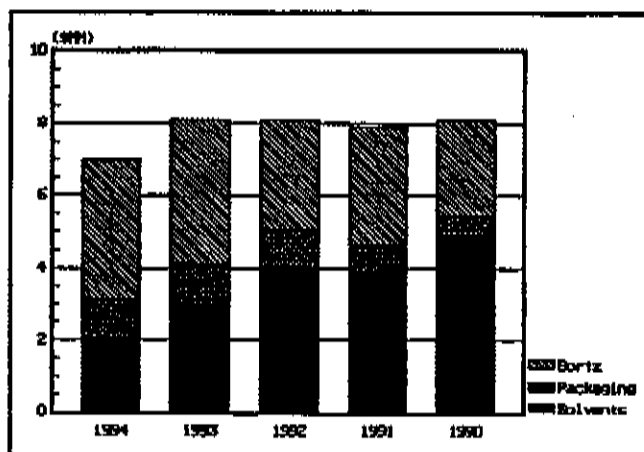
This valuation is specifically intended to establish a per-share fair market value for shares to be issued or sold to the Company's Employee Stock Ownership Trust (ESOT). This report does not address the value of the Company as an entity. The value of the Company as a whole, with the attendant rights to control the direction and growth of the Company, to influence or control compensation and dividends, to change management, to acquire other companies and/or business operations, or to sell or merge the Company, may be greater than the total value implied by this valuation. On the other hand, the value of minority interest shares held outside of the ESOT would probably be less than the value determined in this report. An ESOP with a "put" option obligating the Company to repurchase the shares held by participants provides a valid market for such stock. Minority interest shares held outside of the ESOT would by necessity be discounted for their inherent lack of marketability.

III. THE COMPANY

History

Angeles Chemical is a resale/distributor of liquid industrial and consumer product chemicals used in coating and other processes. In fiscal 1994, sales of solvents were \$2.0 million, packaging—\$1.1 million and Bortz—\$3.9 million.

**Anchem
Sales Profile
F1994-1990**



As illustrated in the above graph, there continues to be a relative and absolute decline in lower gross margin commercial solvent sales since fiscal 1990, which sales mix change contributed to a Company gross margin gain to 32% in fiscal 1994 from 23-25% for several prior years. Specifically, since fiscal 1991 solvent sales have fallen from \$3.9 million to \$2 million while packaging and Bortz sales gained \$1.0 million to nearly \$5 million. In fiscal 1994 solvent sales fell \$800,000 year to year, while Bortz and packaging were off about \$200,000, the first annual drop in the sectors. Bortz is a packager of paint thinner and finishes for the consumer/retail market and its gross margins are over fifty percent better than those for solvents. Anchem's consumer/industrial sales mix is now 70/30, up from 50/50 in earlier periods.

Since the peak in 1982 at \$16.8 million, Company dollar sales have fallen 60% to \$7 million in fiscal 1994. Physical volume has declined even more because of periodic price increases. The 14-year sales drop reflects the loss of major accounts as many commercial customers moved out of Southern California or changed their supplier source away from Southern California. The ever-increasing environmental regulations in Greater Los Angeles have created an expensive and difficult operating circumstance for chemical processors and distributors and their customers. The 1990-93 recession in the region was also a factor. Management continues to emphasize less environmentally sensitive consumer products.

In 1994, Anchem had about 120 active industrial customers and 350 in the packaging division, both down from recent years and reflecting the continuation of a long-term trend. Most are

located in Southern California. Ellis Paint Company, owned by Robert Berg, an Anchem founder and shareholder, is an important customer.

Anchem's basic raw materials are these organic chemicals—propylene, glycol, toluene, ethylene glycol, acetone, mineral spirits, 1-1-1 trichloroethane, and alcohols. These are forms of petroleum distillates which are purchased from Shell, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and four above-ground tanks (old railroad tank cars): one of 10,000 gallons capacity and three of 6,000 gallons each. Some of the storage tanks are not now used given the decline in sales and volume since the 1980s.

Anchem operates out of administrative offices and packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The structures and improvements are Company-owned, while the underlying real estate had been owned by a partnership comprised of the three founding stockholders--John Locke, Robert Berg and Arnold Rosenthal. (Mr. Rosenthal is no longer active in the Company.) On January 1, 1994, title for the 1.8 acre land parcel was transferred by the partnership to the Company in consideration of three equal 14-year \$216,000 notes (aggregating \$648,000) paying 7.5% annual interest. The total yearly principal and interest payments of \$72,000 equal the rent paid to the partnership and the transaction is therefore cash flow neutral to Anchem (on a pretax basis).

The land transfer price was determined by the three parties on other than an arm's-length "third party" negotiated basis and which basis was not specifically disclosed to the appraiser. Given the property environmental clean-up yet to be completed and the land's location next to a Superfund site, the appraiser believes the independently determined fair market value (FMV) of the real property may be below the \$648,000 capitalized on Anchem's financial statements as of April 30, 1994. Therefore, the appraiser recommends that the ESOP Trustee obtain a real property FMV from a qualified independent commercial real estate appraiser for reference in future ESOP valuations.

In addition to its Santa Fe Springs facility, Anchem rents a warehouse in Santa Fe Springs for de-crating, and uses a Los Angeles public warehouse for distribution—replacing a terminated warehouse lease with Robert Berg.

As of the summer of 1994, Anchem had 21 full-time employees versus 22 a year earlier.

Samson Chemical Co. Joint Venture

On March 31, 1991, Anchem entered into a five and a half year agreement with Saramco, Inc., dba Samson Chemical Co., to operate on a joint venture basis for five years beginning October 1, 1991. If the joint venture is still effective on September 30, 1996, Samson will cease operations and transfer to Anchem its distributor relationships and its business and customer accounts. In the interim, both companies maintain separate operations (at Santa Fe Springs) and customers. Through this affiliation, Anchem was able to broaden its product line to include epoxy products.

On a combined basis, Anchem/Samson sales in fiscal 1994 were \$10.6 million, indicating Samson's sales are running at \$3.6 million annually. Samson's income (as defined by the

agreement) is shared equally by the partners. In fiscal 1994, Anchem's income share was booked at \$127,000 versus \$139,000 in fiscal 1993.

For further details on this joint venture, see the November 1991 valuation report.

Anchem also has a distribution agreement with East Bay Oil, a Northern California chemical distributor, and a Phoenix warehouse to further broaden its customer, business and geographic base and replace lost sales in the Los Angeles Basin.

Management and Ownership

The Company senior management as of April 1994 consisted of:

<u>Officer</u>	<u>Title</u>	<u>Joined Co.</u>	<u>Age</u>
John Locke	President, CEO	1971	67
Robert Berg	Secretary/Treasurer	1971	62
Robert Custer	President - Samson Chemical	1990	61
James Locke	Operations Manager	1985	30
Tim Mahoney	Controller	1990	37

Robert Custer is a chemical engineer with experience in chemical distribution and as such provides important management and sales support for John Locke. Mr. Custer is concentrating on the industrial market and Mr. Locke on retail and proprietary products.

The Board of Directors consists of John Locke, Robert Berg, and Arnold Rosenthal, all founders. As of late 1994, Mr. Berg is taking a more active management role at Anchem, particularly with the January 1, 1995 implementation of the Responsible Distribution Process (see below).

As of April 30, 1994 there were 40,000 Class A and 14,065 Class B common shares outstanding (excluding treasury stock) as follows:

<u>Holder</u>	<u>Number of Shares</u>	
John Locke	20,000 A shares	37%
Robert Berg	20,000 A shares	37
ESOP	14,065 B shares	26
Total	54,065 A&B shares	100%

Class A common stock is voting and Class B is nonvoting. Otherwise, the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraisers or by Bramstedt & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues.

Environmental Issues Update

The valuation studies for the fiscal years ended September 1989 through 1992 discuss in detail the regional agencies which regulate Anchem's operating and environmental activities. According to management and SCS Engineers, its environmental consultant, as of April 30, 1994 the Company had no environmental agency violations or citations.

However, beginning in fiscal 1993 and continuing into fiscal 1995, Anchem and SCS are working with the California EPA on its on-site program to investigate for possible groundwater contamination relating to an adjacent California Super Fund site (McKesson property). In this connection, Anchem incurred state fees and incremental services from SCS.

The prior reports discuss testing and related work for soil and groundwater contamination continually undertaken by the Company and SCS since 1989 which so far has not uncovered any major problems or major remedial work. By 1998, Anchem could be required to start replacing its underground tanks on a progressive basis. No specific funding for this project has yet been accrued by Anchem.

By its business nature, Anchem continues to incur legal, testing, remedial and consultant costs. The appraiser does not believe the Company has been able to pass these costs, which have become material, through to its customers, thereby impacting profit margins. SCS consulting costs have fluctuated but in fiscal 1994-95 are averaging \$10,000 a month. SCS worked with management and counsel on the S&J suit.

Beginning in January 1995, Anchem will participate, as required by its major supplier contracts, in a comprehensive storage, operational, health, safety, environmental and emergency response program called "Responsible Distribution Process" created by the National Association of Chemical Distributors, who will sponsor on-site audits. A recently hired full-time compliance and safety officer reports to Operations Manager Jim Locke. Employee training for RDP is required. There will be incremental costs for implementing the program, but Anchem hopes to realize some economies and efficiencies from it.

Ongoing environmental encumbrances on Anchem's business and profits have been reflected in the valuation conclusions since fiscal 1989.

The Economy

As of fall 1994, the domestic economic recovery was accelerating, with a strong 4% GDP rise in the third quarter. For 1994, GDP is forecast to gain 3.5% or above and 1995 GDP expansion may remain at that rate of increase. Inflation (CPI) on the other hand may accelerate in 1995 to 3.5% or higher from under 3% in 1994. The national unemployment rate dropped to below 6% in the fall—a four-year low.

Consumer spending for durables, autos and household furnishings are driving the economy, with domestic auto sales at a 16-year high. Housing starts in 1994 are forecast at 1.47 million, up 15% from 1993 and 45% from the 1991 recession low. Rising mortgage rates will impact housing

activity in 1995. On the other hand, the recovering European and Japanese economies will continue to spur already strong U.S. exports.

As of the fall, interest rates had risen sharply from their 20-year lows in 1993; the prime rate was 8.5% and 30-year government bonds yielded around 8%. The S&P 500 Composite Index was selling near 460, which is 18.4X trailing twelve months' earnings and 3.1X book value—all near record highs.

As of fall 1994, California was recovering from its most serious recession since the Great Depression, although the improvement was not as robust as for the rest of the U.S. Severe cutbacks in defense and aerospace spending, military base closures, out-of-state relocation of manufacturers and softness in the financial services, real estate and other sectors caused the state's unemployment rate to run 1.5 to 2 points above the national rate. California employment, however, is improving, with a pick-up in entertainment, biotech, electronics and some service sectors. Southern California was more severely impacted by the recession than the rest of the state. For 1995 some economists are forecasting that California's economic experience will more closely match that of the U.S. despite on-going defense industry contraction.

Financial Analysis and Review

Anchem has provided Bramstedt & Associates with financial statements for the fiscal years 1990-1994. These financial statements have been thoroughly examined and discussed with management. A copy of the Company's financial statement for the fiscal year ended April 30, 1994, as amended, and prepared as a compilation (without footnotes) by Singer, Traynor & Co., CPAs, is attached as Appendix I.

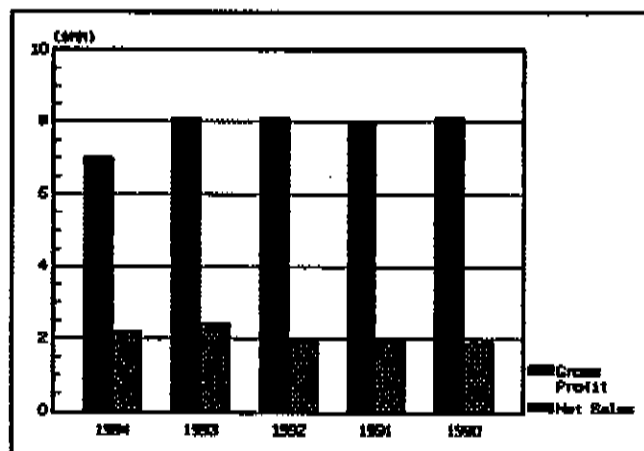
The results of our review and analysis of Anchem's financials are contained in the exhibits outlined below:

Exhibit A	Comparative Income Statement, FY1990-1994
Exhibit B	Comparative Balance Sheets, FY1990-1994
Exhibit C	Selected Financial Ratios, FY1992-1994

These exhibits are presented at the end of this section of the report. The following comments and observations are based upon Bramstedt & Associates' review and analysis of the Company's financial statements. Saramco's operations are not consolidated but are incorporated in a one-line (miscellaneous) income entry, "income split - Samson."

Exhibit A contains Anchem's comparative operating statement in terms of dollars and dollars as a percent of sales for the period fiscal 1990-1994.

**Anchem Chemical Co.
Gross Profit & Sales
F1994-1990**



Sales of \$7 million in fiscal 1994 were down 13% from fiscal 1993 and the prior three years. Because of the sales decline and altered mix, discussed previously, COGS dropped a greater 16.3% to \$4.76 million (68.3%) in fiscal 1994. Gross profit fell 8.3% to \$2.2 million (31.7%) from \$2.4 million (29.8%) in fiscal 1993, but was the second highest in the past six fiscal years.

On lower sales, operating expenses fell only 4.4% to \$2.4 million (34.7%) in fiscal 1994. At this level, operating costs are about 14% greater than fiscal 1990-92 when sales averaged \$8 million. Anchem in fiscal 1994 recorded lower: salaries and labor costs, insurance, freight, tank testing and lab expense, and bad debt. However, (warehouse) rent was up significantly and professional services (SCS and legal) jumped 4-1/2 times to \$223,000 in fiscal 1994. Much of this cost was for the Spencer and Jones litigation and legal expenses as this non-fee contingency case continued into fiscal 1995.

A modest operating expense reduction and a gross profit decline caused the fiscal 1994 operating loss to increase to \$211,000 (3.0%) from a \$123,000 loss (1.5%) in fiscal 1993 and as such was the highest operating loss since fiscal 1990, which is not directly comparable because of Saramco (fiscal 1991 and beyond).

Other income (primarily Saramco) was down 4.9% to \$173,000 (2.5%) in fiscal 1994 while interest expense was up \$10,000 to \$16,000 (0.2%).

In fiscal 1994, pretax and post-tax losses were both \$54,000 (0.8%) compared to profits of \$53,000 (0.7%) pretax and \$49,000 (0.6%) post-tax in fiscal 1993. The Company has recorded net losses in three of the past five years although fiscal 1994 would have been profitable excluding the heavy litigation costs. At April 30, 1994, Anchem has an operating tax loss carryforward for IRS purposes of \$106,000.

Exhibit B contains Anchem's comparative balance sheet in terms of dollars and dollars as a percent of assets for the period fiscal 1990-1994. Fiscal years 1992 to 1994 reflect the Samson joint venture.

With the property acquisition at January 1, 1994, Anchem's balance sheet profile has changed with an increased fixed plant component, although current assets are still 75% of total assets of \$3.45 million at April 30, 1994. Also for the first time, Anchem has significant long-term debt in the form of a 14-year 7.5% \$611,000 note payable equally to two current and one former shareholder—on which annual principal and interest payments aggregate \$72,000.

Angeles Chemical Company, Inc.
Comparative Balance Sheet Profile
F1994-1993

	As of 4/30:	1994	1993
Current Assets		75.7%	92.2%
Net Fixed Assets		23.5	7.0
Other Assets		.8	.8
TOTAL ASSETS		<u>100.0%</u>	<u>100.0%</u>
Current Liabilities		31.5%	43.0%
Long-Term Debt		17.7	0.0
Equity		<u>50.8</u>	<u>57.1</u>
LIABILITIES & EQUITY		<u>100.0%</u>	<u>100.0%</u>

At April 30, 1994, current assets were \$2.6 million (75.7% of total assets), down 10.7% from \$2.9 million (92.2%) at April 30, 1993 as follows:

- Cash and equivalents — \$345,000 (10.0%), up 8.8%
- Accounts receivable — \$1.2 million (35.0%), down 19.2%
- Inventories — \$886,000 (25.7%), down 3.7%
- Prepaid expenses/deferred charges — \$177,000 (5.1%), down 10.2%

(See Schedule 2, Appendix I for list of deferred charges.)

Net fixed plant rose about 3.6 times on the land acquisition to \$811,00 (23.5%). Other assets (Samson investment) were unchanged at \$27,000 (0.8%). Total assets gained 8.7% to \$3.45 million.

Current liabilities at April 30, 1994 were \$1.09 million (31.5% of total liabilities and equity), down 20.4% from \$1.36 million (43.0%) a year earlier as follows:

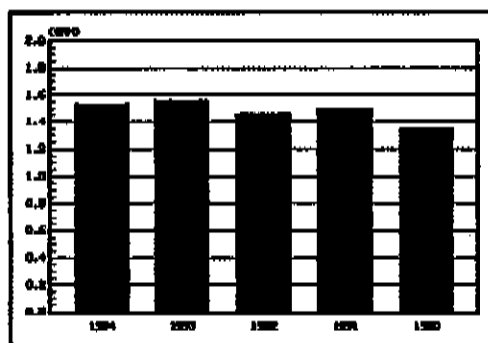
- Accounts payable — \$864,000 (25%), down 22.3%
- Drum deposits — \$68,000 (2%), up 13.3%
- Note payable (insurance) — \$85,000 (2.5%), unchanged
- Accrued expenses/liabilities — \$44,000 (1.3%), down 59.6% on no current tank testing accruals
- Current portion - debt — \$25,000 (.7%), none at April 30, 1993

The long-term note of \$611,000 (17.7%) at April 30, 1994 has been explained above.

Shareholders' equity fell 3% to \$1.75 million (50.8%) on the net loss.

Exhibit C presents selected financial and operating ratios for fiscal years 1994-1992. It shows a maintenance of the strong current and quick ratios of 2.41X and 1.43X respectively at April 30, 1994.

**Angeles Chemical Co.
Working Capital
F1994-1990**



Working capital, which is composed primarily of accounts receivable and cash and equivalents, fell slightly to \$1.53 million. The sales to working capital ratio fell to 4.6 times from 5.2 times at April 30, 1993. If combined Samson/Anchem sales of \$10.6 million are used, the fiscal 1994 sales/working capital ratio is a still comfortable 6.9X. Inventory turns dropped to 5.4 times during fiscal 1994 from 6.2 times in fiscal 1993 on lower sales.

Appendix I contains a statement of cash flows for fiscal 1994 which is summarized and compared to fiscal 1993 and 1992 as follows:

	<u>F1994</u>	<u>F1993</u>	<u>F1992</u>
	---(000)---		
Net cash from (used):			
Operating activities	\$ (9)	\$(122)	\$(203)
Investing activities	(599)	131	34
Financing activities	636	15	(13)
Net change in cash	<u>\$ 28</u>	<u>\$ 24</u>	<u>\$(182)</u>

Cash generated by working capital account changes nearly offset cash used in operations to create a small net cash used in operating activities of \$9,300. The real property acquisition and related financing explain the \$599,000 used in investing activities and the \$636,000 provided by financing activities. Depreciation charges in fiscal 1994 at \$49,000 are much lower than previous years as the fixed plant is almost fully written down. For the year, cash increased \$28,000.

ANGELES CHEMICAL CO.

Exhibit A

Comparative Income Statement, 1994-1990
(\$000)

FYE 4/30:	<u>1994</u>		<u>1993</u>		<u>1992</u>		<u>1991</u>		<u>1990</u>	
Net Sales	\$6976	100.0%	\$8103	100.0%	\$8051	100.0%	\$7944	100.0%	\$8139	100.0%
Cost of Sales	4764	68.3	5691	70.2	6105	75.8	5960	75.0	6199	76.2
Gross Profit	2211	31.7	2412	29.8	1946	24.2	1983	25.0	1939	23.8
Operating Expenses	2422	34.7	2535	31.3	2107	26.2	2095	26.4	2187	26.9
Operating Income (Loss)	(211)	(3.0)	(123)	(1.5)	(161)	(2.0)	(112)	(1.4)	(248)	(3.0)
Other Income	173	2.5	182	2.2	177	2.2	98	1.2	56	.7
Other Expense (Interest)	16	(.2)	6	(.1)	(8)	(.1)	(22)	(.3)	(47)	(.6)
Pretax Income (Loss)	(54)	(.8)	53	.7	8	.1	(35)	(.5)	(239)	(2.9)
Provision for Taxes	1		4	--	(3)	--	(1)	--	--	
Net Income (Loss)	<u>\$ (53)</u>	<u>(.8)</u>	<u>\$ 57</u>	<u>.6</u>	<u>\$ 11</u>	<u>--</u>	<u>\$ (36)</u>	<u>(.5)</u>	<u>\$ (239)</u>	<u>(2.9)</u>

SOURCE: Company financial statements (unaudited).

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ANGELES CHEMICAL CO.

Exhibit B

Comparative Balance Sheet

1996-90
(000)

As of 4/30:	1996	1995 (restated)	1992	1991	1990
Current Assets:					
Cash and liquid investments	\$ 345 10.0%	\$ 317 10.0%	\$ 292 9.2%	\$ 475 17.6%	\$ 341 12.2%
Accounts receivable	1207 35.0	1494 47.0	1534 48.5	1063 39.4	1221 43.7
Inventories	886 25.7	920 29.0	875 27.7	738 27.3	618 22.1
Prepaid expenses/other	177 5.1	197 6.2	174 5.5	164 6.1	147 5.3
Total	2614 75.7	2928 92.2	2875 90.9	2440 90.4	2327 83.3
Land	648	--	--	--	--
Other Fixed Assets at Cost	1653	1746	1747	1668	1831
Accumulated Depreciation	(1429)	(1523)	(1423)	(1412)	(1366)
Net Fixed Assets	811 23.3	223 7.0	254 8.0	249 9.2	465 16.6
Other Assets	27 .8	24 .8	32 1.0	12 .4	--
Total Assets	\$3452 100.0	\$3175 100.0	\$3161 100.0	\$2701 100.0	\$2792 100.0
Current Liabilities:					
Accounts payable	\$ 864 25.0	\$1112 35.0	\$1220 38.6	\$ 749 27.7	\$ 773 27.7%
Deposits	68 2.0	60 1.9	60 1.9	56 2.1	80 2.9
Notes payable	85 2.5	85 2.7	70 2.2	87 3.2	83 3.0
Accrued expenses	44 1.3	109 3.4	51 1.6	44 1.6	47 1.7
Current debt portion	25 .7	--	--	--	--
Total	1086 31.5	1366 43.0	1401 44.3	937 34.7	983 35.2
Long-Term Liabilities	611 17.7	--	--	9 .3	22 .8
Shareholder Equity	1755 50.8	1809 57.1	1760 55.7	1755 65.0	1787 64.0
Total Liabilities & Equity	\$3452 100.0	\$3175 100.0	\$3161 100.0	\$2701 100.0	\$2792 100.0

SOURCE: Company financial statements (unaudited).

BR000139

ANGELES CHEMICAL CO.

Exhibit C

Selected Ratio Analysis
FY1994-92

	FY 4/30:	<u>1994</u>	<u>1993</u>	<u>1992</u>
<u>Liquidity Ratios</u>				
Current (Current Assets divided by Current Liabilities)		2.41	2.15	2.05
Quick (Cash & Accounts Receivable divided by Current Liabilities)		1.43	1.33	1.30
Working Capital (\$000)		1528	1563	1474
Sales/Receivables (Sales divided by Accounts Receivable)		5.78	5.42	5.25
Sales/Working Capital (Sales divided by Working Capital)		4.6	5.2	5.5
Cost of Goods Sold/Inventories (Cost of Goods Sold divided by Inventories)		5.4	6.2	7.0
<u>Coverage Ratios</u>				
EBIT/Interest (Earnings before Interest & Tax divided by Interest Expense)		Neg.	9.8	2.0
Cash Flow/Maturity LTD (Net Income + Depreciation Expenses divided by Note Payable and Current Debt)		Neg.	1.14	1.17
<u>Leverage Ratios</u>				
Debt/Worth (Total Liabilities divided by Net Worth)		0.97	0.75	0.80
Long-Term Liabilities/Worth (Liabilities over one year divided by Net Worth)		0.35	N.A.	N.A.
<u>Operating Ratios</u>				
Total Asset Turnover (Sales divided by Average Total Assets)		2.02	2.56	2.75
Return on Equity (Net Income divided by Average Stockholders' Equity)		(3.0%)	2.8%	Nom.
Return on Assets (Net Income divided by Average Assets)		(1.6%)	1.6%	Nom.

N.A. = Not applicable

Neg. = Negligible

Nom. = Nominal

SOURCE: Company statements and Bramstedt & Associates.

BR000140

IV. VALUATION

In arriving at a minority interest fair market value determination for Anchem, Bramstedt & Associates has considered the relevant factors set forth in Revenue Ruling 59-60 with regard to the valuation of closely held companies and in the Department of Labor's (DOL) proposed regulations on "Adequate Consideration" as they relate to the valuation of securities for Employee Stock Ownership Plan purposes. The following comments represent our findings with regard to those specific factors outlined in Revenue Ruling 59-60 and the DOL's proposed regulations on "Adequate Consideration" as they pertain to the valuation of Anchem. The following references to Revenue Ruling 59-60 implicitly include the DOL's proposed regulations.

Book Value

Revenue Ruling 59-60 states that the appraiser should consider book value when valuing a closely held company. Anchem's stated book value was \$1,775,007 or \$32.46 a share as of April 30, 1994.

Normally, book value or adjusted book value is not afforded much weight or consideration in the valuation of an operating company such as Anchem. Such type companies are normally valued on earnings and/or cash flow capacity. Because of depressed operating results, the appraiser chose to use book value as fair market value for ESOP purposes as of April 30, 1987 and has used it as a valuation reference since then.

Dividend History, Capacity and Probability

Revenue Ruling 59-60 suggests that the appraiser consider dividends and dividend paying capacity in valuing closely held securities. Anchem has recorded a profit in only two of the past five years.

The Company has not paid any dividends on its common stock and has no intention of changing this policy at this time. This policy is quite appropriate for a small, private company which is owned by shareholders who neither rely upon nor expect dividend income.

Normally, earnings reinvested in the growth of a company can be expected to earn at a greater return than dividend income invested in other investment opportunities with similar risks and prospects. Consequently, shareholders will ultimately benefit from the current policy to reinvest earnings in the Company's growth rather than to pay cash dividends.

Comparable Companies—Publicly Traded

Revenue Ruling 59-60 suggests that the appraiser consider the market price of stocks of corporations engaged in the same or a similar line of business having their stock actively traded in a free and open market or over the counter. Bramstedt & Associates has made an exhaustive search for comparable public companies which can be deemed to be similar to Anchem. No single company proved to be a worthy publicly traded comparable. Public companies are generally much larger and more diverse both geographically and in business operations.

In earlier valuation studies, the appraiser has broadly referenced the capitalization ratios of Univar (NYSE), the largest U.S. chemical distributor. Because of the continuing reliance on a modified book value/working capital methodology for Anchem, the appraiser now feels that this peripheral reference is no longer valid or useful.

Cash Flow and Earnings Capacity

Pre-1987 ESOP valuations by Charles Stark, PC, appear to rely on conclusions derived from capitalizing five-year average of net income, aftertax cash flow and pretax available cash flow, among other methods. Aftertax cash flow is net income plus depreciation. Available cash flow is pretax income plus profit share/ESOP contribution plus depreciation. Depreciation in fiscal 1992, 1993 and 1994 was \$74,000, \$44,000 and \$49,000 respectively. ESOP contributions were \$16,200 in fiscal 1993 and \$8,000 in fiscal 1994. Anchem's earnings and cash flow as just defined for fiscal 1994 to 1992 are shown below:

Period	Net Income (Loss)	Cash Flow	
		Available	After Tax
F1994	(\$54,000)	\$ 3,000	\$(5,000)
F1993	49,000	113,000	93,000
F1992	5,000	98,000	79,000

Note: Figures have been rounded.

Because of the erosion of the Company's earning and cash generating power, the application of the income methodology is not now being used.

Valuation

Due to insufficient demonstrable earning power and thin cash flow prospects, Bramstedt & Associates and the appraiser once again must look to the balance sheet (asset approach) for valuation purposes as in fiscal 1993 when we employed an adjusted or modified book value approach.

Generally, capitalization of income and cash flow streams is the appropriate methodology for determining the equity fair market value of an operating company such as Anchem. The decision to utilize adjusted book value and working capital in the recent past is based on the factors discussed in these and prior reports and the appraiser's experience and knowledge in deriving equity values of closely held companies.

Since the Company "booked" the underlying real estate with the related debt in fiscal 1994, as planned, the valuation method is reexamined for fiscal 1994. As Anchem now has long-term debt, working capital does not accrue directly to the shareholders and it is therefore not applicable as an equity value indicator as was the case in fiscal 1993's valuation study.

At April 30, 1994, Anchem's stated book value was \$1,755,007. To this is applied progressively a 10% "liquidation" discount and a 10% restricted marketability discount, below or the same as the discounts used in the fiscal 1993 valuation.

This produces an indicated fair market value (FMV) for ESOP purposes of the equity ownership of Angeles Chemical as of April 30, 1994 of \$1,421,555 or \$26.30 (rounded) per share on 54,065 A and B common shares outstanding. This is 81% of book value and 20% of sales (see page 3).

Unlike recent years, the appraiser has not applied a 10% goodwill premium to the adjusted book value given: (1) the fiscal 1994 sales decline; (2) the ongoing environmental clean-up and compliance costs and exposure; and (3) the increased business and investment risk created by the property purchase and related debt assumption.

Angeles Chemical Co., Inc.
Adjusted Book Value Method
April 30, 1994

Stated Book Value	\$1,755,007
Less, Liquidation Discount (10%)	<u>175,501</u>
Subtotal	\$1,579,506
Less, Marketability Discount (10%)	<u>157,951</u>
Indicated FMV	<u>\$1,421,555</u>
On 54,065 A&B Shares	<u>\$26.30</u> (R)

(R) = Rounded

As of the ESOP plan year which began May 1, 1987, the ESOP Administration Committee set a policy of paying plan participants terminated for reasons other than retirement at age 65 in five annual cash pay-outs commencing on the first anniversary of termination. Terminated plan participants sell 20% of their stock to the ESOP in each of five years at the fair market value applicable for each year. Accordingly, the above derived value reflects a discount of 10% or the same as applied at April 30, 1993. This marketability discount conceptually reflects the time value of money under the deferred pay-out program now in effect.

Recent Stock Sale and Valuation

Revenue Ruling 59-60 suggests that arm's-length sales to knowledgeable unrelated third parties in the recent past would be a basis for valuation.

There have been no such recent transactions.

V. CONCLUSIONS

Based on our experience and general knowledge in determining the value of closely held companies and upon the consideration of all factors previously discussed, Bramstedt & Associates is of the opinion that the fair market value of the outstanding common stock of Angeles Chemical Co. for ESOT purposes is \$1,421,555 or \$26.30 per share as of April 30, 1994 on 54,065 Class A and B shares outstanding. This valuation is based on an adjusted or modified book value approach.

Specific positive factors concerning Anchem were its liquid balance sheet; apparent operational and environmental stabilization; the profit and other benefits from the Saramco affiliation; and a recovering California economy.

Unfavorable factors were a 14% sales drop and fiscal 1994 loss; no visibility for real earnings generation; negative returns on capital and equity; the hostile operating environment for small chemical processors in heavily populated urban areas such as Los Angeles with the attendant compliance costs; and the leveraging of the balance sheet.

This valuation is as of April 30, 1994; and, since it is based upon recent financial statements, it should be valid for the near future. However, it is imperative to recognize that the dynamics of the industries served and general economic conditions can change and invalidate this evaluation. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

APPENDIX I

ANGELES CHEMICAL CO., INC.

APRIL 30, 1994 AND APRIL 30, 1993

ANGELES CHEMICAL CO., INC.

INDEX

1. Accountant's Compilation Report
2. Balance Sheets
3. Statements of Income and Retained Earnings
4. Statements of Cash Flow
5. Other Income (Expenses) - Schedule 1
6. Balance Sheet Schedules - Schedule 2

SINGER, TRAYNOR & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
500 Citadel Drive, Suite 300
Los Angeles, CA 90040

January 17, 1995

Angeles Chemical Co., Inc.
8915 Sorensen Ave.
Santa Fe Springs, CA 90670

The accompanying corrected balance sheets of Angeles Chemical Co., Inc. as of April 30, 1994 and April 30, 1993 and the corrected related statements of income and retained earnings and cash flow for the years then ended, have been compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying corrected financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the corrected financial statements, they might influence the user's conclusions about the Company's financial position and results of operations. Accordingly, these corrected financial statements are not designed for those who are not informed about such matters.

The accompanying financial statements have been reissued to correct an understatement of fixed assets in the amount of \$648,000.00, an understatement of notes payable in the amount of \$636,000.15, an understatement of interest expense in the amount of \$12,000.15 and an overstatement of rent expense in the amount of \$24,000.00.

Singer, Traynor & Co.
Singer, Traynor & Co.
Certified Public Accountants

BALANCE SHEETS
April 30, 1994 and April 30, 1993
ASSETS

	<u>1994</u>	<u>1993</u>
<u>CURRENT ASSETS</u>		
Cash	344,736.75	316,966.56
Accounts Receivable (Net of Bad Debts Allowances of \$5,000.00 and \$5,000.00, Respectively)	826,603.18	978,788.98
Inventories	886,014.45	920,421.99
Due from Stallion Tank Lines, Inc.	62,015.51	153,894.70
Due from Samson	313,390.80	359,129.15
Due from Other	4,897.14	3,117.74
Employee Advances	11,628.56	4,643.85
Deferred Charges - Schedule 2	162,935.41	191,510.45
Franchise Tax Prepayment	2,369.00	
<u>TOTAL CURRENT ASSETS</u>	<u>2,614,590.80</u>	<u>2,928,473.42</u>
<u>FIXED ASSETS (at Cost)</u>		
Land	648,000.00	
Drums		127,752.96
Office Trailers	99,568.00	99,567.42
Trucks & Autos	161,272.00	204,966.38
Tanks & Plant Equipment	801,992.00	740,231.98
Furniture & Fixtures	230,556.00	215,785.20
Plant	359,956.00	357,370.47
<u>TOTAL</u>	<u>2,301,344.00</u>	<u>1,745,674.41</u>
Less: Accumulated Depreciation	<u>1,490,266.00</u>	<u>1,522,659.66</u>
<u>BOOK VALUE</u>	<u>811,078.00</u>	<u>223,014.75</u>
<u>OTHER ASSETS</u>		
Deposits	2,580.00	
Investment in Samson	24,227.07	23,686.28
<u>TOTAL OTHER ASSETS</u>	<u>26,807.07</u>	<u>23,686.28</u>
<u>TOTAL ASSETS</u>	<u>3,452,475.87</u>	<u>3,175,174.45</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

<u>CURRENT LIABILITIES</u>		
Accounts Payable	864,418.86	1,112,275.84
Accrued Liabilities - Schedule 2	44,482.96	106,986.86
Notes Payable	85,010.68	85,046.11
Drum Deposits	67,556.58	69,685.00
Franchise Tax Payable		1,731.00
Term Debt - Current	25,162.93	
<u>TOTAL CURRENT LIABILITIES</u>	<u>1,086,621.96</u>	<u>1,365,724.81</u>
<u>TERM DEBT</u>	<u>610,847.22</u>	
<u>SHAREHOLDERS' EQUITY</u>		
Common Stock, \$0.10 Par Value; 1,000,000 Shares Authorized; 54,065 Shares Issued & Outstanding	5,406.50	5,406.50
Paid-In Capital	106,723.80	106,723.80
Retained Earnings	1,643,876.39	1,698,319.34
<u>TOTAL SHAREHOLDERS' EQUITY</u>	<u>1,755,006.69</u>	<u>1,809,449.64</u>
<u>TOTAL LIABILITIES & SHAREHOLDERS' EQUITY</u>	<u>3,452,475.87</u>	<u>3,175,174.45</u>

SEE ACCOUNTANT'S COMPILATION REPORT

CORRECTED

BR000149

Angeles Chemical Co., Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended April 30, 1994 and April 30, 1993

	<u>1994</u>	<u>%</u>	<u>1993</u>	<u>%</u>
SALES	6,975,932.38	100.00	8,103,336.97	100.00
LESS: COST OF SALES	<u>4,764,547.39</u>	<u>68.30</u>	<u>5,690,953.27</u>	<u>70.23</u>
GROSS PROFIT	<u>2,211,384.99</u>	<u>31.70</u>	<u>2,412,383.70</u>	<u>29.77</u>
<u>OPERATING EXPENSES</u>				
Salaries & Wages	416,248.63	5.96	464,555.18	5.73
Outside Labor	309,052.73	4.43	362,179.87	4.47
Insurance	186,414.61	2.39	233,829.29	2.88
Truck Expense	170,364.87	2.44	162,836.38	2.01
Freight	125,771.21	1.80	157,692.85	1.94
Commissions - Bortz	175,677.76	2.52	153,770.83	1.90
Rent	186,443.16	2.67	143,890.01	1.78
Repairs & Maintenance	123,282.30	1.77	128,960.56	1.59
Plant Expense	97,508.46	1.40	97,726.24	1.21
Printing Expense	21,153.02	0.30	88,666.83	1.08
Tank Testing & Lab Expense	30,271.15	0.43	80,400.66	0.99
Auto & Travel	44,657.76	0.64	55,345.54	0.68
Bad Debts	4,750.57	0.07	46,254.96	0.57
Bank Charge	1,207.54	0.02		
Telephone & Utilities	44,852.58	0.64	45,912.25	0.57
Depreciation	49,233.65	0.71	43,768.16	0.54
Payroll Taxes	38,452.60	0.55	42,616.70	0.53
Professional Services	223,056.99	3.20	40,881.51	0.50
Taxes & Licenses	32,961.37	0.47	37,271.26	0.46
Business Promotion	21,458.91	0.31	30,950.33	0.38
Office Supplies	20,978.45	0.30	28,771.54	0.36
Computer Expense	53,961.01	0.77	28,412.87	0.35
Advertising	17,175.56	0.25	16,420.09	0.20
Profit Sharing Expense	8,000.00	0.11	16,200.00	0.20
Employee Welfare	9,415.53	0.13	11,167.08	0.14
Dues & Subscriptions	9,006.75	0.13	10,424.32	0.13
Equipment Rental	15,223.10	0.22	7,791.57	0.10
Seminars & Meetings	5,385.50	0.08	3,085.00	0.04
Donations	<u>775.00</u>	<u>0.01</u>	<u>150.00</u>	
TOTAL OPERATING EXPENSES	<u>2,422,235.77</u>	<u>34.72</u>	<u>2,534,920.88</u>	<u>31.28</u>
OPERATING (LOSS)	<u>(210,850.78)</u>	<u>(3.02)</u>	<u>(122,537.18)</u>	<u>(1.51)</u>
<u>OTHER INCOME (EXPENSES) - Schedule 1</u>	<u>157,207.89</u>	<u>2.25</u>	<u>175,911.06</u>	<u>2.17</u>
<u>(LOSS) INCOME BEFORE INCOME TAXES</u>	<u>(53,642.95)</u>	<u>(0.77)</u>	<u>53,373.88</u>	<u>0.66</u>
Provision for Income Taxes	<u>800.00</u>	<u>0.01</u>	<u>4,181.00</u>	<u>0.05</u>
<u>NET (LOSS) INCOME TO RETAINED EARNINGS</u>	<u>(54,442.95)</u>	<u>(0.78)</u>	<u>49,242.88</u>	<u>0.61</u>
RETAINED EARNINGS - BEGINNING	<u>1,698,319.34</u>		<u>1,649,076.46</u>	
RETAINED EARNINGS - ENDING	<u>1,643,876.39</u>		<u>1,698,319.34</u>	

SEE ACCOUNTANT'S COMPILATION REPORT

CORRECTED

BR000150

STATEMENTS OF CASH FLOW

For the Years Ended April 30, 1994 and April 30, 1993

	<u>1994</u>	<u>1993</u>
<u>OPERATING ACTIVITIES</u>		
Net (Loss) Income	(54,442.95)	49,242.88
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by Operating Activities:		
Equity in Income of Affiliate	(127,100.98)	(138,889.14)
(Gain) on Sale of Depreciable Assets	(1,927.00)	
Depreciation	<u>49,283.95</u>	<u>48,768.18</u>
<u>CASH (USED) BY OPERATIONS</u>	<u>(134,237.28)</u>	<u>(45,878.10)</u>
<u>CASH PROVIDED (USED) BY OPERATING ASSETS AND LIABILITIES:</u>		
Decrease in Accounts Receivable	152,185.80	34,254.00
Decrease (Increase) in Inventories	118,831.62	(45,724.00)
Decrease (Increase) in Deferred Charges	28,575.04	(13,920.00)
Decrease in Due from Others	128,853.43	
(Increase) in Other Assets	(2,580.00)	
Decrease in Drum Inventory	5,680.88	8,288.00
(Decrease) in Accounts Payable	(247,856.98)	(107,903.00)
(Decrease) Increase in Accrued Liabilities	(62,503.90)	49,385.00
Increase (Decrease) in Customer Deposits	7,871.58	(315.00)
(Decrease) Increase in Franchise Tax Payable	<u>(4,100.00)</u>	<u>203.00</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ASSETS AND LIABILITIES</u>	<u>124,967.42</u>	<u>(75,732.00)</u>
<u>NET CASH (USED) BY OPERATING ACTIVITIES</u>	<u>(9,279.86)</u>	<u>(121,610.10)</u>
<u>INVESTING ACTIVITIES</u>		
Employee Advances		(13,452.00)
Collections on Employee Advances		12,625.00
Distributions from Affiliate	128,560.19	152,381.00
Proceeds from Disposal of Property, Plant & Equipment	2,718.14	
Purchase of Property, Plant & Equipment	<u>(728,193.00)</u>	<u>(20,746.00)</u>
<u>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</u>	<u>(598,914.67)</u>	<u>130,808.00</u>
<u>FINANCING ACTIVITIES</u>		
Increase in Notes Payable	<u>635,964.72</u>	<u>15,190.00</u>
<u>INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>27,770.19</u>	<u>24,387.90</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>316,966.56</u>	<u>292,578.66</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>344,736.75</u>	<u>316,966.56</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash Paid During the Years Ended April 30, 1994 and April 30, 1993 for:		
Income Taxes	<u>4,900.00</u>	<u>2,400.00</u>
Interest	<u>4,035.56</u>	<u>5,818.13</u>

SEE ACCOUNTANT'S COMPILATION REPORT

CORRECTED

Angeles Chemical Co., Inc.

OTHER INCOME (EXPENSES)

Schedule 1

For the Years Ended April 30, 1994 and April 30, 1993

	<u>1994</u>	<u>%</u>	<u>1993</u>	<u>%</u>
Income Split - Samson	127,100.98	1.82	138,889.14	1.71
Terminating Charges	37,567.90	0.54	33,165.88	0.41
Interest Income	6,932.98	0.10	7,861.11	0.10
Gain on Sale of Fixed Assets	1,927.00	0.03	2,650.00	0.03
Miscellaneous Income	389.60	0.01	1,338.06	0.02
Miscellaneous Expense	(674.92)	(0.01)	(2,175.00)	(0.03)
Interest Expense	<u>(16,035.71)</u>	<u>(0.24)</u>	<u>(5,818.13)</u>	<u>(0.07)</u>
<u>TOTAL</u>	<u>157,207.83</u>	<u>2.25</u>	<u>175,911.06</u>	<u>2.17</u>

SEE ACCOUNTANT'S COMPILATION REPORT

CORRECTED

BR000152

Angeles Chemical Co., Inc.

BALANCE SHEET SCHEDULES

Schedule 2

April 30, 1994 and April 30, 1993

	<u>1994</u>	<u>1993</u>
<u>DEFERRED CHARGES</u>		
Property Taxes	1,472.26	1,506.92
Insurance	113,974.00	152,355.43
Lease	2,798.13	518.00
Excise Tax - Fuel	4,154.45	7,057.78
Compensation Insurance	5,667.13	8,095.48
Other	<u>34,869.44</u>	<u>21,976.84</u>
<u>TOTAL</u>	<u>162,935.41</u>	<u>191,510.45</u>

<u>ACCRUED LIABILITIES</u>		
Tank Testing		63,904.48
Commissions	10,245.94	11,430.05
Payroll Taxes	868.86	1,561.96
Sales Taxes	2,548.82	4,457.95
Payroll	5,345.51	5,846.64
ESOP Expense	6,850.00	1,350.00
Other	<u>18,624.38</u>	<u>18,435.80</u>
<u>TOTAL</u>	<u>44,482.96</u>	<u>106,986.86</u>

	<u>Total</u>	<u>Current</u>	<u>Term</u>
<u>TERM DEBT</u>			
J. Locke	212,000.05	8,384.31	203,615.74
A. Rosenthal	212,000.05	8,384.31	203,615.74
N. Spieler, Trustee	<u>212,000.05</u>	<u>8,384.31</u>	<u>203,615.74</u>
<u>TOTAL</u>	<u>636,000.15</u>	<u>25,152.93</u>	<u>610,847.22</u>

SEE ACCOUNTANT'S COMPILATION REPORT

CORRECTED

BR000153

APPENDIX II

B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

Qualifications of Bramstedt & Associates, Inc.

Eric M. Bramstedt, CFA, has over 30 years experience in the field of financial analysis, equity evaluations, securities analysis and investment banking. From 1967 to 1977 Mr. Bramstedt was a senior security analyst and officer of three San Francisco based institutional research firms including Sutro & Co. He has prepared well over 350 business valuations on closely held companies for merger and acquisition, gift and estate taxes, Employee Stock Ownership Plans (ESOPs), incentive stock option plans and others. These valuations have covered a broad industry scope of closely held and public companies including several Fortune 1000 listings. Mr. Bramstedt possesses in-depth knowledge of ESOP functions and valuation through fourteen years of extensive experience with four leading ESOP design and valuation firms--Menke & Associates, Kelso & Co., Houlihan, Lokey, Howard & Zukin, and Private Capital Corp. This experience includes work for an employee coalition's proposed ESOP buy-out of Eastern Airlines.

Mr. Bramstedt is an industry specialist in transportation, particularly trucking. As such, he has investigated the operations and appraised the business values of well over one hundred motor carriers, many of which are located in California. Clients have included major domestic and international transportation companies for acquisition and investment banking and other applications. Mr. Bramstedt is Director of the PCTB Consulting Group, a division of the Pacific Coast Tariff Bureau of San Francisco. As such, he is editor of CAL-TIPS, an annual operating and financial study of the California less-than-truckload business.

Mr. Bramstedt is a Chartered Financial Analyst (CFA) and a member of the Institute of Chartered Financial Analysts, the Association for Investment Management and Research, the Transportation Research Forum, the Pacific Coast Accounting and Finance Council, and is a charter and Board member of the Valuation Roundtable of San Francisco. He holds a Bachelor's Degree in Economics from Stanford University. He has written articles for industry periodicals and made public speaking appearances on transportation topics. Mr. Bramstedt has appeared as an expert witness before the California Public Utilities Commission and in civil court on matters of economic damages.

2402 Vista Del Mar Lane Tiburon, CA 94920-1208 Tel 415-435-9438 Fax 415-435-9438

114 Sansome St., Suite 808 San Francisco, CA 94104-3818 Tel 415-362-9900 Fax 415-362-6492

BR000155

B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

**EVALUATION
of the
COMMON STOCK
of
ANGELES CHEMICAL CO.**

**as of
April 30, 1993**

**Prepared by:
Bramstedt & Associates, Inc.
January 1994**

2402 Vista Del Mar Lane Tiburon, CA 94920-1208 Tel 415-435-9438 Fax 415-435-9438

114 Sansome St., Suite 808 San Francisco, CA 94104-3818 Tel 415-362-9900 Fax 415-362-6492

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BRAMSTEDT

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

January 21, 1994

Employee Stock Ownership Plan
Administrative Committee
Angeles Chemical Co., Inc.
P.O. Box 2163
Santa Fe Springs, California 90670

Attn: Mr. John Locke

You have requested that we express an opinion as to the fair market value of the common stock of Angeles Chemical Co., Inc. ("Anchem" or the "Company") as of April 30, 1993 for Employee Stock Ownership Trust (ESOT) purposes. The purpose of this letter is to advise you of our opinion of value. The formal evaluation report will be forwarded under separate cover when completed.

In arriving at an appraisal of fair market value, some primary determinants of value are return on investment, growth potential and the investor's perception of risk. We have examined these factors as well as liquidity and other financial elements in analyzing the operating and financial performance of Anchem.

Our review and analysis places a fair market value on the common equity ownership of Anchem as of April 30, 1993 of \$1,650,000 or \$30.50 per share based on 54,065 shares outstanding. It is derived from a modified adjusted book value approach and is discounted for restricted marketability.

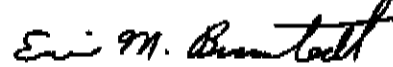
It is important to note that this per-share fair market value is for transactions involving minority interest(s) in the Company's common stock. It does not reflect the value of Anchem as an entity or the value of a block of stock which would give a single buyer control of the Company. The value established is based on financial information through April 1993. Accordingly, this value should be valid not only for that date, but also for a reasonable period beyond it.

Angeles Chemical Co., Inc.
January 21, 1994
Page two

The valuation conclusion and the appraisal report are being prepared by Bramstedt & Associates as a subcontractor to Sansome Street Appraisers, Inc.

Sincerely,

BRAMSTEDT & ASSOCIATES, INC.

A handwritten signature in cursive script, appearing to read "Eric M. Bramstedt".

Eric M. Bramstedt, CFA

EMB:ew

cc: Tim Mahoney

BR000157

Sansome Street Appraisers, Inc.

Mendham, New Jersey

*114 Sansome Street, Suite 808
San Francisco, California 94104-3818
(415) 362-3900
Fax (415) 362-6092*

January 28, 1994

PERSONAL AND CONFIDENTIAL

Mr. Tim Mahoney
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Dear Tim:

Enclosed are three copies of the Anchem ESOP valuation study for April 30, 1993 and our invoice for \$2,950. This represents a 6% (or 3% annual) cost of living adjustment from the update fee of \$2,750 charged the past two years. It will also be the applicable basic fee for the fiscal 1994 update. In all recent valuations, the environmental due diligence is an extra element.

I am pleased to know that you and Anchem survived the earthquake in good shape.

Sincerely yours,



Eric M. Bramstedt

EMB:ew
enclosures

BR000158

BRAMSTEDT

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

January 25, 1994

CONFIDENTIAL

Employee Stock Ownership Plan
Administrative Committee
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Attn: Mr. John Locke

Gentlemen:

You have requested we establish the fair market value of the common stock of Angeles Chemical Co. for Employee Stock Ownership Trust (ESOT) purposes as of April 30, 1993.

Our evaluation places a fair market value of \$1,650,000 on the common stock of Angeles Chemical Co. as of April 30, 1993. Based on 54,065 A and B common shares outstanding, the value per share is \$30.50. This evaluation is derived from modified adjusted book value and working capital approach and is discounted for restricted marketability. The valuation conclusion was transmitted to John Locke on January 21, 1994.

The valuation report was prepared by Bramstedt & Associates, Inc. as a subcontractor to Sansome Street Appraisers, Inc.

Earnings prospects can change, as can the general economic climate. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

Very truly yours,

BRAMSTEDT & ASSOCIATES, INC.



Eric M. Bramstedt, CFA
President

EMB:ew
enclosure

Table of Contents

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III	Company and Industry	7
IV	Valuation	15
V	Conclusion	18
Appendix I	Financial statements as of April 30, 1993	
Appendix II	Qualification of Bramstedt & Associates, Inc.	

I. INTRODUCTION

Angeles Chemical Co. ("Anchem" or the "Company") has requested Bramstedt & Associates, Inc. render its opinion as to the fair market value of the Company's common stock in connection with transactions involving the Company's Employee Stock Ownership Trust (ESOT). This valuation is based on financial data provided us for the five fiscal years ended April 30, 1993 and is derived from a modified adjusted book value and working capital methodology.

In that regard, Bramstedt & Associates places a fair market value of \$1,650,000 or \$30.50 per share on the common stock of Anchem as of April 30, 1993 based on 54,065 A and B shares outstanding.

Anchem is a closely held corporation with no present market for its common stock. It is a regional Southern California liquid chemical distributor whose products are used in industrial, commercial and retail/consumer applications. Sales in the four fiscal years 1990-1993 stabilized at \$8 million after falling over 50% from a peak of \$16.8 million ten years earlier. The Company recorded a small profit in fiscal 1993 following a break-even year in fiscal 1992 and losses in the three prior years. Soil and underground water contamination conditions at Anchem's plant are continuously being monitored and tested, which requires significant on-going testing, legal and other costs. However, as of April 30, 1993 no major environmental liability or remedial responsibility had been revealed.

Like all chemical processors, Anchem and its customers are facing substantial environmental regulations in the Los Angeles Basin. These have seriously affected Anchem's industrial business and combined with the depressed Southern California economy cloud the Company's near-term prospects at April 30, 1993.

Anchem has a debt-free balance sheet whose assets primarily comprise receivables and inventory, with some cash equivalents. Given this operating and financial circumstance, the ESOP valuation for several years has been prepared on an asset rather than income basis.

Scope of the Valuation Study

The purpose of this valuation study is to determine the fair market value of a minority interest in the common stock of Anchem as of April 30, 1993 for transactions involving the Company's Employee Stock Ownership Trust.

In performing this valuation study, a variety of data and assumptions was used. The financial information on past performance was gathered from the financial statements of Anchem as prepared by its accounting firm for the past five fiscal years. We have included in Appendix I a copy of Anchem's most recent financial statement, for the fiscal year ended April 30, 1993.

Projections of expected future financial performance through fiscal 1994 were provided by management. The appraiser has visited the Company's facilities in Santa Fe Springs, California. Interviews were held with members of management and with certain outside sources with regard to the chemical distribution industry generally and specifically about several important environmental/regulatory issues facing the Company.

In ascertaining the value of the Company, published data on publicly traded companies were utilized in an effort to find comparable companies. There were no companies which were found to be directly comparable.

Prior ESOP Valuations and Reports

Anchem's ESOP was established during fiscal year 1984 as a conversion from a profit sharing plan. ESOP valuations for Anchem since fiscal 1987 have been prepared by Menke & Associates, Inc. and Bramstedt & Associates, Inc. Bramstedt & Associates' update valuation report for April 30, 1992 is dated December 1992. All these reports are herein incorporated by reference and contain a description of the chemical distribution industry; Anchem's history, operating description and management; and the valuation methodologies employed.

The table below illustrates the aggregate ESOP (minority interest) values relative to certain financial criteria for fiscal years 1989-93:

ESOP Valuation Summary
F1989-1993

Date	Aggregate ESOP Value	Per Share	Percent of			Times	
			Sales	Assets	Equity	Gross Profit	Working Capital
4/30/93	\$1,650,000	\$30.50	20.4%	52.1%	92%	0.68x	1.06x
4/30/92	1,621,000	30.00	20.1	51.3	92	0.83	1.10
4/30/91	1,653,300	30.60	20.8	61.2	94	0.83	1.10
4/30/90	1,527,885	28.25	18.8	54.7	85	0.79	1.14
4/30/89	1,635,995	30.25	18.2	53.9	81	0.79	1.08

Limitations of this Valuation

In preparing the valuation, Bramstedt & Associates relied upon and assumed the accuracy and completeness of all financial, statistical and other information provided by Anchem. Bramstedt & Associates also considered information based upon other publicly available sources which it believes to be reliable, however Bramstedt & Associates and the appraiser do not guarantee the accuracy and completeness of such information and did not independently verify the financial statements and other information. The appraiser is not aware of material omissions or understatements which would affect values contained in this report. The fair market value arrived at herein represents the appraiser's considered opinion based upon the facts and information presented to him. No legal opinion is expressed by this report and its accompanying documents.

This valuation report does not address matters requiring special expertise or knowledge not generally held by business appraisers. As such, this report does not specifically address such issues as toxic contamination, hazardous waste, engineering and structural soundness, litigation and legal concerns, etc. The appraiser is not professionally qualified to ascertain or quantify the existence and magnitude of future remedial clean-up and other costs and their economic impact on Anchem's business from the environmental conditions discussed in the "Company" section of this report. The historic operating and administrative costs related to these problems are reflected in the Company's financial reports and thereby in the valuation process.

This appraisal is intended for the purpose(s) stated herein. Any other application by the Company, its shareholders and others may not be appropriate.

Neither the appraiser nor Bramstedt & Associates, Inc. has any present financial interest in Anchem, and the fee for this valuation is not contingent upon the value(s) determined. The qualifications of Bramstedt & Associates to undertake this valuation are summarized in Appendix II.

II. VALUATION PROCESS

The stock in this valuation has been evaluated based upon: (1) the pertinent principles, regulations and guidelines of the Internal Revenue Service and the Department of Labor; (2) analysis of the Company's financial statements; (3) thorough discussions with management; and (4) analysis of relevant industry conditions and other factors.

Definitions

The following terms will recur throughout the valuation and should be understood by the following definitions, except as otherwise noted:

Fair Market Value—The Internal Revenue Service has defined "fair market value" in Revenue Ruling 59-60, issued in March 1959, as:

"...the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Court decisions frequently state, in addition, that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and be well informed about the property and concerning the market for such property."

This definition is widely accepted and used in courts of law and in tax literature and is the most widely used approach in valuing closely held securities. It is the basic definition upon which we have relied in determining the fair market value of the Company's stock. Revenue Ruling 59-60 was issued for estate valuation purposes, but is not limited to that use. It serves as a guide in virtually all valuation situations requiring the determination of fair market value.

Pretax and Pre-Contribution Earnings—Pretax earnings refer to earnings or income before federal, state and local income taxes. Pre-contribution earnings refer to pretax earnings before discretionary employee benefit plan contributions.

ESOP—Employee Stock Ownership Plan and **ESOT**—Employee Stock Ownership Trust refer essentially to the same entity and for purposes of this valuation can be considered interchangeable.

IRS & DOL Guidelines

In general, a company whose securities are traded in volume by informed persons in a free and active market has its fair market value determined continuously. The prices at which the securities of such a company trade are a reflection of the collective opinion of the investing public as to what the future prospects of the company are at that point of time. However, when a stock is traded infrequently, or is traded in an erratic market, or is closely held, such as in the case of Anchem, some other measure of value must be found.

The Internal Revenue Code of 1954, Section 2031(b), specifies that the value of stocks and securities of corporations not listed on an exchange or freely traded "...shall be determined by taking into consideration, in addition to all other factors, the value of stock or securities of corporations engaged in the same or a similar line of business which are listed on an exchange."

Revenue Ruling 59-60, issued in March 1959 for estate valuation purposes and extended to include the determination of fair market value of closely held businesses for income and other tax purposes by Revenue Ruling 65-193, further develops a set of eight criteria which, while not all-inclusive, are fundamental to the appraisal of the fair market value of closely held companies.

The Department of Labor has issued proposed regulations on "Adequate Consideration" which address valuation issues affecting Employee Stock Ownership Plans. These proposed regulations endorse Revenue Ruling 59-60 and set forth other factors to be considered in valuing securities for ESOT purposes.

Consequently, this report has considered the following factors:

- History of the Company and Nature of Its Business
- Economic Outlook in General and Condition and Outlook of the Industry in Particular
- Book Value of the Stock and Financial Condition of the Business
- Earnings Capacity of the Company
- Dividend Paying Capacity
- Whether or Not the Enterprise Has Goodwill or Other Intangible Assets
- Sales of Stock and Size of the Block of Stock to be Valued
- The Market Price of Stocks of Corporations Engaged in the Same or a Similar Line of Business Having Their Stocks Actively Traded in a Free and Open Market or Over the Counter

The Effect of ESOP Contributions on Fair Market Value

Anchem's ESOP was established in fiscal 1984. The Company made cash contributions of \$15,663 in fiscal 1992 and \$16,200 in fiscal 1993. The ESOP owns 26% of the Company's equity.

The implementation of an Employee Stock Ownership Plan may have a material effect on the profitability and cash flows of a business enterprise. The effect on profitability and cash flows can, as a consequence, directly impact the fair market value of the business enterprise. The degree of effect depends on how the ESOP is funding the annual contribution itself (cash or stock).

An additional consideration in determining fair market value for an ESOP company is how the Company is providing for the emerging liability created when vested terminated plan participants tender Company stock for redemption.

For detailed discussions of the effect of cash and/or stock contributions on earnings, cash flows and book values and of the impact of emerging liability treatment on ESOP stock marketability, see Section II of the November 1987 valuation study prepared by Menke & Associates.

Comparability in Accounting Methods

The accounting profession allows a number of alternative accounting treatments in areas such as inventory and depreciation accounting. Depending upon the particular accounting method utilized, reported earnings may differ materially within a given year. These accounting treatments, which are permitted under Generally Accepted Accounting Principles (GAAP), are usually one-time decisions. Once a company has opted for a particular accounting treatment it cannot change between various accounting alternatives year after year without good cause. Because of these rules, accounting statements for a particular company are generally comparable from year to year. This comparability, however, may not exist from company to company even if they are in the same industry. This is especially true if one is comparing a "public" company with a "closely held" company.

A further discussion of the differences and economic ramifications of public and private Company accounting procedures is also found in Section II of the November 1987 valuation study.

Discounts to Fair Market Value

The marketability of the company's stock, the control position of majority shareholders, and the relationship of these factors to the block of stock being valued can also affect the concluded value.

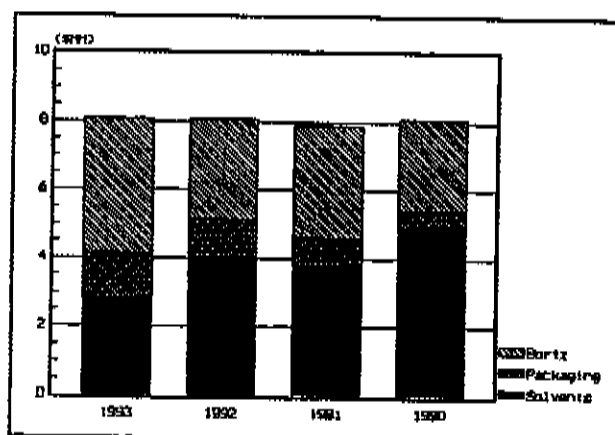
Closely held stock, which lacks marketability, is far less attractive than a similar stock with ready access to the public marketplace. In valuing a block of stock, Revenue Rulings and court decisions provide a basis for concluding that a discount is valid for an absence of marketability if the value base does not already reflect the lack of marketability.

Further, a minority stock interest in a closed corporation is usually worth much less than a proportionate share of the entity value of all the corporate stock. Discounts can range from 10% to 30% or more. When minority interest and lack of marketability discounts are both applied, they are sequential.

III. COMPANY

Angeles Chemical is a resale/distributor of liquid industrial and consumer product chemicals used in coating and other processes. In fiscal 1993, sales of solvents were \$2.8 million, packaging—\$1.2 million and Bortz—\$4.0 million.

Anchem
Sales Profile
F1993-1990



As illustrated in the above graph, there has been a relative and absolute decline in lower gross margin commercial solvent sales since fiscal 1990-91, which contributed to a Company gross margin gain to 30% in fiscal 1993 from 23-25% for several prior years. Specifically, since fiscal 1991 solvent sales have fallen from \$3.9 million to \$2.8 million while packaging and Bortz sales have gained \$1.2 million to nearly \$5.3 million. Bortz is a packager of paint thinner and finishes for the consumer/retail market and its gross margins of 36% are over fifty percent better than those for solvents. Anchem's consumer/industrial sales mix is now 60/40, up from 50/50 in recent periods.

Since the peak in 1982 at \$16.8 million, Company dollar sales have dropped over 50% to the \$8 million level for the past four fiscal years. Physical volume has declined even more because of periodic price increases. The decade-long sales drop reflects the loss of major accounts as several commercial customers moved out of Southern California or changed their supplier source away from Southern California. The ever-increasing environmental regulations in Greater Los Angeles have created an expensive and difficult operating circumstance for chemical processors and distributors and their customers. The current recession in the region is also a factor. Management continues to emphasize less environmentally sensitive consumer products.

In 1993, Anchem had about 150 active industrial customers and 350 in the packaging division, both down about 10% from a year earlier and reflecting the continuation of a long-term trend. Most are located in Southern California. Ellis Paint Company, owned by Robert Berg, an Anchem founder and shareholder, is an important customer.

Anchem's basic raw materials are these organic chemicals—propylene, glycol, toluene, ethylene glycol, acetone, mineral spirits, 1-1-1 trichloroethane, and alcohols. These are forms of petroleum distillates which are purchased from Shell, Union Carbide, Exxon, Celanese and Vulkan Materials. The Company has on-site 32 underground storage tanks of 5,000 to 20,000 gallons capacity each and four above-ground tanks (old railroad tank cars): one of 10,000 gallons capacity and three of 6,000 gallons each.

Anchem operates out of administrative offices and packaging and storage facilities on a 1.8 acre site in Santa Fe Springs, California. The structures and improvements are Company-owned, while the underlying real estate is owned by a partnership comprised of the three founding stockholders—John Locke, Robert Berg and Arnold Rosenthal. Mr. Rosenthal is no longer active in the Company. The long-contemplated sale of the underlying real estate to the Company by the partnership may occur during fiscal 1994. Anchem rents downtown Los Angeles warehouse space from Robert Berg. This lease was terminated subsequent to April 30, 1993.

As of the summer of 1993, Anchem had 22 full-time employees versus 26 a year earlier. The Company continues to increase temporary or part-time help, reflecting the higher packaging sales and reduce full-time employees.

Samson Chemical Co. Joint Venture

On March 31, 1991, Anchem entered into a five and a half year agreement with Saramco, Inc., dba Samson Chemical Co., to operate on a joint venture basis for five years beginning October 1, 1991. If the joint venture is still effective on September 30, 1996, Samson will cease operations and transfer to Anchem its distributor relationships and its business and customer accounts. In the interim, both companies maintain separate operations (at Santa Fe Springs) and customers.

Prior to the joint venture arrangement, Samson was a Torrance, California-based industrial chemical distributor operating unprofitably on annual sales of \$3.5 million or about 45% of Anchem's size. Through this affiliation, Anchem was able to broaden its product line to include epoxy products. On a combined basis, Anchem/Samson sales in fiscal years 1993 and 1992 were just over \$12 million, indicating Samson's sales are now running about \$4 million annually.

Samson's income (as defined by the agreement) is shared equally by the partners. In fiscal 1993, Anchem's income share was booked at \$139,000 versus \$128,000 in fiscal 1992.

For further details on this joint venture, see the November 1991 valuation report.

Samson was Anchem's second business combination in five years. More recently, Anchem established a distribution agreement with East Bay Oil, a Northern California chemical distributor, and opened a Phoenix warehouse to further broaden its customer, business and geographic base and replace sales being lost in the Los Angeles Basin.

Management and Ownership

The Company senior management as of April 1993 consisted of:

<u>Officer</u>	<u>Title</u>	<u>Joined Co.</u>	<u>Age</u>
John Locke	President, CEO	1971	66
Robert Berg	Secretary/Treasurer	1971	61
Robert Custer	President - Samson Chemical	1990	60
James Locke	Operations Manager	1985	29
Tim Mahoney	Controller	1990	36

Robert Custer is a chemical engineer with experience in chemical distribution and as such provides important management and sales support for John Locke. Mr. Custer is concentrating on the industrial market and Mr. Locke on retail and proprietary products.

The Board of Directors consists of John Locke, Robert Berg, and Arnold Rosenthal, all founders. Mr. Berg's primary employment is President of Ellis Paint Co.

As of April 30, 1993 there were 40,000 Class A and 14,065 Class B common shares outstanding (excluding treasury stock) as follows:

<u>Holder</u>	<u>Number of Shares</u>	
John Locke	20,000 A shares	37%
Robert Berg	20,000 A shares	37
ESOP	14,065 B shares	<u>26</u>
Total	54,065 A&B shares	100%

Class A common stock is voting and Class B is nonvoting. Otherwise, the two classes are equal. A valuation discount for the nonvoting Class B stock has not been taken by the prior appraisers or by Bramstedt & Associates since the stock is in an ESOP where voting rights are not passed through in any event except for major corporate issues.

Environmental Issues Update

The four previous valuation studies for the fiscal years ended September 1989 through 1992 discuss in detail the regional agencies which regulate Anchem's operating and environmental activities. According to management and SCS Engineers, its environmental consultant, as of April 30, 1993 the Company had no environmental agency violations or citations.

However, during fiscal 1993 and continuing into fiscal 1994, Anchem and SCS are working with the California EPA on its on-site program to investigate for possible groundwater contamination relating to an adjacent California Super Fund site (McKesson property). In this connection, Anchem incurred state fees and incremental services from SCS.

The prior reports also discuss testing and related work for soil and groundwater contamination continually undertaken by the Company and SCS since 1989 which so far has not uncovered any major problems or remedial work. Beginning in 1998, Anchem may be required to start replacing

its underground tanks on a progressive basis. The Company and counsel are actively pursuing a suit against a contractor who in 1983 allegedly improperly installed some drain pipes, causing groundwater problems vis-a-vis the Super Fund site.

By its business nature, Anchem continues to incur legal, testing, remedial and consultant costs (above those experienced during the 1980s). The appraiser does not believe the Company has been able to pass these costs, which have become material, through to its customers, thereby impacting profit margins.

Ongoing environmental encumbrances on Anchem's business and profits have been reflected in the valuation conclusions since fiscal 1989.

The Economy

As of mid-1993, the U.S. economy was experiencing the slowest post-war business expansion from the most serious post-war economic recession (1990-91). In the second quarter of 1993, the GDP rose at a sluggish 1.6% following an even more tepid first quarter rise of 0.7%. For the full year 1993 economists were projecting a GDP gain of 2.5% to 3.0%, well below the early phase recovery rates of previous post-war recessions. Consumer spending increased modestly, but consumers were apprehensive about the outlook for the balance of 1993 because of the just-passed 1993 Clinton tax bill and a high U.S. unemployment rate of around 7%. New better-paid manufacturing job creation has been nominal so far in this recovery.

A bright spot is the strong surge in the sales of domestic-built automobiles and trucks, with the Big Three gaining market share from Japanese (imports). Inflation, as measured by the CPI, was running at a low 3% in 1993 or the same as in 1992. As of mid-1993, the benchmark 30-year U.S. Treasury bond was selling to yield under 6.5%, the lowest in 20 years, and other interest rates such as the bank prime at 6% were at multi-decade bottoms. With low mortgage rates, single family housing starts were improving. The 1993 projection was for 1.35 million starts, up from 1.03 million in 1992.

As contrasted with the U.S., as of Spring 1993 there are no signs that California was recovering from its most serious recession since the Great Depression. Severe cutbacks in defense and aerospace spending, military base closures, out-of-state relocation of manufacturers and softness in the financial services, real estate and trade sectors caused the state's unemployment rate to run between 8.6% and 9.8% for nearly two years and well above the national rates. Southern California was faring worse than Northern California. Well regarded economic forecasters, such as the UCLA Business School, were not looking for a state economic recovery until at least 1994. By contrast, economic activity in some of the (much smaller) western states such as Nevada, Arizona and Idaho was strong.

Management did not provide the appraiser with an analysis which could determine whether the economy or the environmental problems have impacted the Company more and whether Anchem may be holding, losing or gaining market share.

Financial Analysis and Review

Anchem has provided Bramstedt & Associates with financial statements for the fiscal years 1989-1993. These financial statements have been thoroughly examined and discussed with management. A copy of the Company's financial statement for the fiscal year ended April 30, 1993, prepared as a compilation (without footnotes) by Archer, Bulmahn, Jenkins & Bowler, CPAs, is attached as Appendix I.

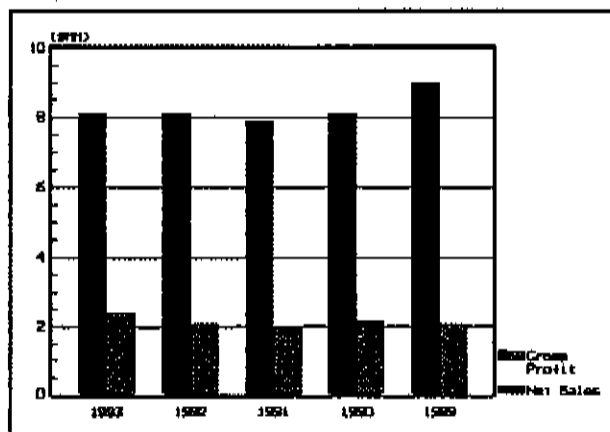
The results of our review and analysis of Anchem's financials are contained in the exhibits outlined below:

Exhibit A	Comparative Income Statement, FY1989-1993
Exhibit B	Comparative Balance Sheets, FY1989-1993
Exhibit C	Selected Financial Ratios, FY1991-1993

These exhibits are presented at the end of this section of the report. The following comments and observations are based upon Bramstedt & Associates' review and analysis of the Company's financial statements. Saramco's operations are not consolidated but are incorporated in a one-line (miscellaneous) income entry, "income split - Samson."

Exhibit A contains Anchem's comparative operating statement in terms of dollars and dollars as a percent of sales for the period fiscal 1989-1993.

Angeles Chemical Co.
Gross Profit & Sales
F1993-1989



Sales of \$8.1 million in fiscal 1993 are virtually unchanged from the prior three years. Because of the altered sales mix, discussed previously, COGS dropped 6.8% to \$5.7 million (70.2% of sales) in fiscal 1993 and gross profit jumped 24% or \$466,000 to \$2.4 million (29.8%), the highest in the past five years, from \$1.9 million (24.2%) in fiscal 1992.

Operating expenses, however, rose 20.3% or \$428,000 to \$2.5 million (31.3%) in fiscal 1993 from \$2.1 million (26.2%) in fiscal 1992 and the highest in five years. The contributors were in three general categories:

- Business mix change to greater packaging/consumer is reflected in higher outside labor, (Bortz) commissions and printing.
- Environmental compliance caused tank testing, lab expense and repair costs to increase sharply. Further increases are expected in fiscal 1994.
- Expansion into Arizona and Northern California shows up in higher freight absorption, rent and commissions.

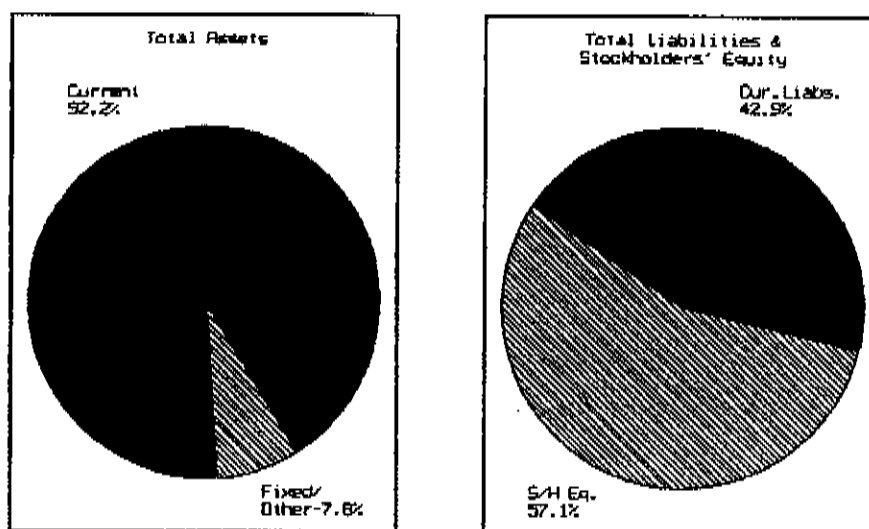
Anchem's operating loss in fiscal 1993 declined to \$123,000 from \$161,000 in fiscal 1992. The Company has not had an operating profit for at least six years; however, operating losses prior to fiscal 1991 (Saramco) are not directly comparable.

Other income (primarily Saramco) was \$182,000 (2.2%) in fiscal 1993, up from \$177,000 (2.2%) in fiscal 1992 and significantly higher than in years prior to fiscal 1992 because of Saramco.

Pretax and net income respectively were \$53,000 (0.7%) and \$49,000 (0.6%) in fiscal 1993 compared to break-even in fiscal 1992 and losses in fiscal years 1989 to 1991. (Presumably, Anchem has a tax loss carryforward, but this was not specifically disclosed.)

Exhibit B contains Anchem's comparative balance sheet in terms of dollars and dollars as a percent of assets for the period fiscal 1989-1993. Fiscal years 1992 and 1993 reflect the Samson joint venture.

Angeles Chemical Co.
Balance Sheet Profile
April 30, 1993

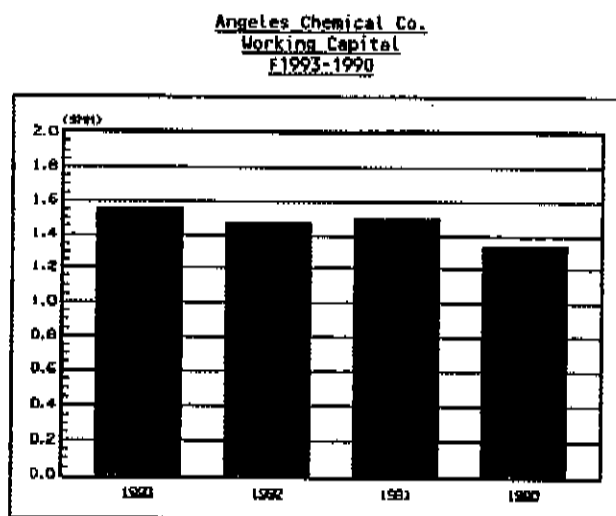


At April 30, 1993, total assets were \$3.17 million, unchanged from a year earlier. Similarly, there were no material changes in current assets—\$2.9 million (92.2% of assets) and its principal components: cash—\$317,000 (10.0%), accounts receivable—\$1.5 million (47.3%) and inventories—\$920,000 (29.0%). Fixed assets fell 12.2% to \$223,000 (7.0%).

Current liabilities were also static year-to-year at \$1.36 million (42.9%). The major element here is accounts payable of \$1.1 million (35.1%). Anchem has no long-term debt and has an unused bank credit line of \$300,000.

Shareholders' equity rose 2.8% to \$1.8 million (57.1%).

Exhibit C presents selected financial and operating ratios for fiscal years 1990-1993. It shows a modest improvement in the already strong current and quick ratios of 2.15X and 1.33X respectively at April 30, 1993.



Working capital, which is composed primarily of accounts receivable and cash and equivalents, increased slightly to \$1.56 million. The sales to working capital ratio fell to 5.2 times from 5.5 times at April 30, 1992. If combined Samson/Anchem sales of \$12.3 million are used, the fiscal 1993 sales/working capital ratio is a still comfortable 7.9X.

Some of this liquidity may be excess to the Company's ongoing operating business requirements short of unexpected substantial environmental remedial costs. There are no significant potential capital expenditures. Inventory turns dropped to 6.2 times during fiscal 1993 from 7.0 times in fiscal 1992.

Appendix I contains a statement of cash flows for fiscal 1993 which is summarized and compared to fiscal 1992 as follows:

	<u>F1992</u>	<u>F1993</u>
	(000)	
Net cash from (used):		
Operating activities	\$(203)	\$(122)
Investing activities	34	131
Financing activities	(13)	<u>15</u>
Net change in cash	\$(182)	\$ 24

Overall, there was a \$24,000 increase in cash during fiscal 1993. Included in the Statement in operating activities is a deduction of \$139,300 of income - equity in affiliate, which is nearly offset by \$152,000 in affiliate distributions (under investing activities). Depreciation in fiscal 1993 was \$44,000, down substantially from earlier years.

ANGELES CHEMICAL CO.

Exhibit A

Comparative Income Statement, 1989-1993
(\$000)

FYE 4/30:	<u>1993</u>		<u>1992</u>		<u>1991</u>		<u>1990</u>		<u>1989</u>	
Net Sales	\$8103	100.0%	\$8051	100.0%	\$7964	100.0%	\$8139	100.0%	\$9003	100.0%
Cost of Sales	\$691	70.2	6105	75.8	5960	75.0	6199	76.2	6965	77.1
Gross Profit	2412	29.8	1946	24.2	1983	25.0	1939	23.8	2037	22.9
Operating Expenses	2535	31.3	2107	26.2	2095	26.4	2187	26.9	2203	24.5
Operating Income (Loss)	(123)	(1.5)	(161)	(2.0)	(112)	(1.4)	(248)	(3.0)	(165)	(1.6)
Other Income	182	2.2	177	2.2	98	1.2	56	.7	105	1.2
Other Expense (Interest)	6	(.1)	(8)	(.1)	(22)	(.3)	(47)	(.6)	(112)	(1.2)
Pretax Income (Loss)	53	.7	8	.1	(35)	(.5)	(239)	(2.9)	(152)	(1.7)
Provision for Taxes	4	..	(3)	..	(1)	42	.5
Net Income (Loss)	<u>\$ 49</u>	.6	<u>\$ 5</u>	..	<u>\$ (36)</u>	(.5)	<u>\$ (239)</u>	(2.9)	<u>\$ (110)</u>	(1.2)

SOURCE: Company financial statements (unaudited).

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ANGELES CHEMICAL CO.

Exhibit B

Comparative Balance Sheet
1989-93
(000)

As of 4/30:	1993		1992		1991		1990		1989	
Current Assets:										
Cash and liquid investments	\$ 317	10.0%	\$ 292	9.2%	\$ 475	17.6%	\$ 341	12.2%	\$ 371	12.2%
Accounts receivable	1499	47.3	1534	48.5	1063	39.4	1221	43.7	1139	37.5
Inventories	920	29.0	875	27.7	738	27.3	618	22.1	719	23.7
Prepaid expenses/other	183	5.8	174	5.5	164	6.1	147	5.3	257	8.5
Total	2920	92.2	2875	90.9	2440	90.4	2327	83.3	2486	81.8
Fixed Assets at Cost	1747		1747		1668		1831		1844	
Accumulated Depreciation	(1523)		(1493)		(1419)		(1346)		(1292)	
Net Fixed Assets	223	7.0	254	8.0	249	9.2	485	16.6	552	18.2
Other Assets	24	.8	32	1.0	12	.4	--		--	
Total Assets	<u>\$3167</u>	100.0	<u>\$3161</u>	100.0	<u>\$2701</u>	100.0	<u>\$2792</u>	100.0	<u>\$3038</u>	100.0
Current Liabilities:										
Accounts payable	\$1112	35.1	\$1220	38.6	\$ 749	27.7	\$ 773	27.7%	\$ 705	23.2%
Deposits	60	1.9	60	1.9	56	2.1	80	2.9	119	3.9
Note payable	85	2.7	70	2.2	87	3.2	83	3.0	103	3.4
Accrued expenses	101	3.2	51	1.6	44	1.6	47	1.7	47	1.5
Total	1358	42.9	1401	44.3	937	34.7	983	35.2	975	32.1
Long-Term Liabilities	--		--		9	.3	22	.8	37	1.2
Shareholder Equity	1809	57.1	1760	55.7	1755	65.0	1787	64.0	2026	66.7
Total Liabilities & Equity	<u>\$3167</u>	100.0	<u>\$3161</u>	100.0	<u>\$2701</u>	100.0	<u>\$2792</u>	100.0	<u>\$3038</u>	100.0

SOURCE: Company financial statements (unaudited).

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ANGELES CHEMICAL CO.

Exhibit C

Selected Ratio Analysis
FY1991-93

	FY 4/30:	<u>1993</u>	<u>1992</u>	<u>1991</u>
<u>Liquidity Ratios</u>				
Current (Current Assets divided by Current Liabilities)		2.15	2.05	2.60
Quick (Cash & Accounts Receivable divided by Current Liabilities)		1.33	1.30	1.64
Working Capital (\$000)		1563	1474	1503
Sales/Receivables (Sales divided by Accounts Receivable)		5.42	5.25	7.47
Sales/Working Capital (Sales divided by Working Capital)		5.2	5.5	5.3
Cost of Goods Sold/Inventories (Cost of Goods Sold divided by Inventories)		6.2	7.0	8.1
<u>Coverage Ratios</u>				
EBIT/Interest (Earnings before Interest & Tax divided by Interest Expense)		9.8	2.0	2.0
Cash Flow/Maturity LTD (Net Income + Depreciation Expenses divided by Note Payable)		1.14	1.17	1.32
<u>Leverage Ratios</u>				
Debt/Worth (Total Liabilities divided by Net Worth)		0.75	0.80	0.54
Long-Term Liabilities/Worth (Liabilities over one year divided by Net Worth)		N.A.	N.A.	Nom.
<u>Operating Ratios</u>				
Total Asset Turnover (Sales divided by Average Total Assets)		2.56	2.75	2.89
Return on Equity (Net Income divided by Average Stockholders' Equity)		2.8%	Nom.	(2.0%)
Return on Assets (Net Income divided by Average Assets)		1.6%	Nom.	(1.3%)

N.A. = Not applicable
Nom. = Nominal

SOURCE: Company statements and Bramstedt & Associates.

IV. VALUATION

In arriving at a minority interest fair market value determination for Anchem, Bramstedt & Associates has considered the relevant factors set forth in Revenue Ruling 59-60 with regard to the valuation of closely held companies and in the Department of Labor's (DOL) proposed regulations on "Adequate Consideration" as they relate to the valuation of securities for Employee Stock Ownership Plan purposes. The following comments represent our findings with regard to those specific factors outlined in Revenue Ruling 59-60 and the DOL's proposed regulations on "Adequate Consideration" as they pertain to the valuation of Anchem. The following references to Revenue Ruling 59-60 implicitly include the DOL's proposed regulations.

Book Value

Revenue Ruling 59-60 states that the appraiser should consider book value when valuing a closely held company. Anchem's stated book value was \$1,809,450 or \$33.47 a share as of April 30, 1993.

Normally, book value or adjusted book value is not afforded much weight or consideration in the valuation of an operating company such as Anchem. Such type companies are normally valued on earnings and/or cash flow capacity. Because of depressed operating results, the appraiser chose to use book value as fair market value for ESOP purposes as of April 30, 1987 and has used it as a valuation reference since fiscal 1988.

Dividend History, Capacity and Probability

Revenue Ruling 59-60 suggests that the appraiser consider dividends and dividend paying capacity in valuing closely held securities.

The Company has not paid any dividends on its common stock and has no intention of changing this policy at this time. This policy is quite appropriate for a small, private company which is owned by shareholders who neither rely upon nor expect dividend income.

Normally, earnings reinvested in the growth of a company can be expected to earn at a greater return than dividend income invested in other investment opportunities with similar risks and prospects. Consequently, shareholders will ultimately benefit from the current policy to reinvest earnings in the Company's growth rather than to pay cash dividends.

Comparable Companies—Publicly Traded

Revenue Ruling 59-60 suggests that the appraiser consider the market price of stocks of corporations engaged in the same or a similar line of business having their stock actively traded in a free and open market or over the counter. Bramstedt & Associates has made an exhaustive search for comparable public companies which can be deemed to be similar to Anchem. No single company proved to be a worthy publicly traded comparable. Public companies are generally much larger and more diverse both geographically and in business operations.

In previous valuation studies, the appraiser has broadly referenced the capitalization ratios of Univar (NYSE), the largest U.S. chemical distributor. Because of the continuing reliance on a modified book value/working capital methodology for Anchem, the appraiser now feels that this peripheral reference is no longer valid or useful.

Cash Flow and Earnings Capacity

Pre-1987 ESOP valuations by Charles Stark, PC, appear to rely on conclusions derived from capitalizing five-year average of net income, aftertax cash flow and pretax available cash flow, among other methods. Aftertax cash flow is net income plus depreciation. Available cash flow is pretax income plus profit share/ESOP contribution plus depreciation. Depreciation in fiscal 1991, 1992 and 1993 was \$151,000, \$74,000 and \$44,000 respectively. Anchem's earnings and cash flow as just defined for fiscal 1991 to 1993 are shown below:

<u>Period</u>	<u>Net Income</u>	<u>Cash Flow</u>	
		<u>Available</u>	<u>After Tax</u>
F1993	\$49,000	\$113,000	\$ 93,000
F1992	5,000	98,000	79,000
F1991	(36,000)	131,120	115,000

Note: Figures have been rounded.

Because of the erosion of the Company's earning and cash generating power, the application of the Stark (income) methodology is not now being used.

Valuation

Due to insufficient demonstrable earning power and thin cash flow prospects, Bramstedt & Associates and the appraiser once again must look to the balance sheet (asset approach) for valuation purposes as in fiscal 1992 when we employed an adjusted or modified book value approach.

Generally, capitalization of income and cash flow streams is the appropriate methodology for determining the equity fair market value of an operating company such as Anchem. The decision to utilize adjusted book value and working capital is based on the factors discussed in these and prior reports and the appraiser's experience and knowledge in deriving equity values of closely held companies. Should the Company "book" the underlying real estate with the related debt in fiscal 1994 as now planned, the valuation method will be reexamined.

At April 30, 1993, Anchem's stated book value was \$1,809,450 and working capital was \$1,562,751. Since Anchem has no long-term debt, this working capital basically accrues to the equity holders. (Cash and cash equivalents and receivables alone total \$1.82 million.) Following the valuation methodology used in recent valuation studies and using a 10% asset liquidation discount and a 10% discount for restricted marketability produces an indicated fair market value of \$1,465,655. The liquidation discount has progressively been increased to 10% over the last three years as the cash component of working capital has dropped.

Adjusted Book Value Method
Angeles Chemical Co.
April 30, 1993

Stated Book Value	\$1,809,450
Less Liquidation Discount (10%)	<u>180,945</u>
Subtotal	1,628,505
Less Marketability Discount (10%)	<u>162,850</u>
Indicated Fair Market Value (A)	<u>\$1,465,655</u>
Working Capital (B)	<u>\$1,562,751</u>
Simple Average (A,B)	<u>\$1,500,000</u>

Since the product of the adjusted book value methodology effectively accords no value to the Company's fixed assets and to business goodwill as a going concern, the appraiser believes this methodology understates the fair market value of the equity ownership of Anchem.

In order to incorporate the economic worth of fixed assets and goodwill, Bramstedt & Associates has marked up the average of the adjusted book value approach (\$1.46 million) and working capital (\$1.56 million) or \$1,500,000 by 10% or \$150,000 to produce an indicated fair market value (FMV) for ESOP purposes of the equity ownership of Anchem as of April 30, 1993 of \$1,650,000 or \$30.50 a share (rounded) on 54,065 shares outstanding. This working capital premium is consistent with that of the several prior years and the FMV is 91% of book value and 20% of sales (see page 2).

No specific attempt has been made by Bramstedt & Associates to quantify Anchem's business goodwill created by over two decades of operation.

As of the ESOP plan year which began May 1, 1987, the ESOP Administration Committee changed its policy on paying terminating plan participants in a lump sum to paying participants terminated for reasons other than retirement at age 65 in five annual cash pay-outs commencing on the first anniversary of termination. Terminated plan participants sell 20% of their stock to the ESOP in each of five years at the fair market value applicable for each year. Accordingly, the above derived value reflects a discount of 10% or the same as applied at April 30, 1992. This marketability discount conceptually reflects the time value of money under the deferred pay-out program now in effect.

Recent Stock Sale and Valuation

Revenue Ruling 59-60 suggests that arm's-length sales to knowledgeable unrelated third parties in the recent past would be a basis for valuation.

There have been no such recent transactions.

V. CONCLUSIONS

Based on our experience and general knowledge in determining the value of closely held companies and upon the consideration of all factors previously discussed, Bramstedt & Associates is of the opinion that the fair market value of the outstanding common stock of Angeles Chemical Co. for ESOT purposes is \$1,650,000 or \$30.50 per share as of April 30, 1993 on 54,065 Class A and B shares outstanding. This valuation is based on an adjusted or modified book value and working capital approach.

Specific positive factors concerning Anchem were its still solid and long-term debt free balance sheet; continued sales, operational and environmental stabilization; a profitable year in fiscal 1993 after four loss years; and profit and other benefits from the Saramco affiliation and other recent diversification efforts.

Unfavorable factors were a 50% sales drop in the 1980s; no visibility for real earnings generation; negative or nominal returns on capital and equity; the hostile operating environment for small chemical processors in heavily populated urban areas such as Los Angeles with the attendant compliance costs; and the California recession.

It is important to point out that this evaluation is specifically intended to establish a per-share fair market value for shares to be issued or sold to the ESOT. This report does not specifically address the evaluation of the Company as an entity. The value of the Company as a whole, with the attendant rights to control the direction and growth of the Company, to influence or control compensation and dividends, to change the management, to acquire other companies and/or business operations, to buy companies or new product lines, or to sell or merge the Company, may be greater than the total value implied by this evaluation.

On the other hand, the value of minority interest shares held outside of an ESOT would probably be less than the value determined in this report. An ESOT with a "put" option obligating the Trust to repurchase the shares held by participants provides a valid market for such stock. Minority interest shares held outside of the ESOT would by necessity be discounted by more than 10% taken here for their greater inherent lack of marketability.

This valuation is as of April 30, 1993; and, since it is based upon recent financial statements, it should be valid for the near future. However, it is imperative to recognize that the dynamics of the industries served and general economic conditions can change and invalidate this evaluation. Federal regulations require that the Company's common stock be reevaluated at least annually for ESOT purposes.

APPENDIX I

REPORT OF
ANGELES CHEMICAL COMPANY, INCORPORATED
APRIL 30, 1993

BR000184

ARCHER, BULMAHN, JENKINS & BOWLER
CERTIFIED PUBLIC ACCOUNTANTS

626 SOUTH LAKE AVENUE • PASADENA, CALIFORNIA 91106

To The Board of Directors
Angeles Chemical Company, Incorporated

We have compiled the accompanying balance sheet of Angeles Chemical Company, Incorporated as of April 30, 1993 and the related statements of income and cash flows for the year then ended, in accordance with statements on standards for accounting and review services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or performed a review service on the accompanying financial statements, and accordingly, do not express an opinion or any other form of assurance of them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Archer, Bulmahn, Jenkins & Bowler

CERTIFIED PUBLIC ACCOUNTANTS

December 30, 1993

BR000185

ANGELES CHEMICAL COMPANY, INCORPORATED
BALANCE SHEET
(UNAUDITED)
APRIL 30, 1993

ASSETS

CURRENT ASSETS

Cash & cash equivalents		\$	316,966
Accounts receivable	\$	983,789	
Allowance for doubtful accounts		<u>(5,000)</u>	
Net accounts receivable			978,789
Accounts receivable - Stallion			153,895
Accounts receivable - other non-operating			3,118
Accounts receivable - Samson			359,129
Employee advances			4,644
Inventories			920,422
Prepaid property tax			1,507
Prepaid insurance			152,873
Prepaid other			21,977
Prepaid excise tax-fuel			<u>7,058</u>
Total current assets			<u>2,920,378</u>

FIXED ASSETS

Office trailer		99,567
Trucks & autos		204,966
Tanks & plant equipment		740,232
Furniture & fixtures		215,785
Plant		357,370
Drums		<u>127,753</u>
Total fixed assets		<u>1,745,673</u>

Less: accumulated depreciation		<u>(1,522,660)</u>
Net fixed assets		<u>223,013</u>

OTHER ASSETS

Investment in Samson		23,686
Total assets	\$	<u><u>3,167,077</u></u>

See accountants' compilation report

ARCHER, BULMAHN, JENKINS & BOWLER
 CERTIFIED PUBLIC ACCOUNTANTS

BR000186

ANGELES CHEMICAL COMPANY, INCORPORATED**BALANCE SHEET****(UNAUDITED)****APRIL 30, 1993****LIABILITIES AND STOCKHOLDERS' EQUITY****CURRENT LIABILITIES**

Notes payable	\$	85,046
Accounts payable		1,112,276
Accrued tank testing		63,904
Accrued commissions		11,430
Accrued payroll and sales taxes		6,019
Other accrued liabilities		17,536
Drum deposits		59,685
State income taxes payable		1,731
Total current liabilities		<u>1,357,627</u>

STOCKHOLDERS' EQUITY

Common Stock - \$.10 Par Value, 1,000,000 shares authorized, 54,065 shares issued & outstanding		5,407
Paid in Capital		105,724
Retained earnings - beginning	\$	1,649,076
Net income		<u>49,243</u>
Retained earnings		<u>1,698,319</u>
Total stockholders' equity		<u>1,809,450</u>
Total liabilities and stockholders' equity	\$	<u><u>3,167,077</u></u>

See accountants' compilation report**ARCHER, BULMANN, JENKINS & BOWLER**
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ANGELES CHEMICAL COMPANY, INCORPORATED**STATEMENT OF INCOME****(UNAUDITED)****FOR THE YEAR ENDED APRIL 30, 1993**

		<u>% Of Sales</u>
SALES	\$ 8,103,337	100.00%
COST OF SALES	<u>5,690,953</u>	<u>70.23%</u>
Gross profit	<u>2,412,384</u>	<u>29.77%</u>
OPERATING EXPENSES		
Salaries & wages	464,556	5.73%
Outside Labor	362,180	4.47%
Insurance	233,829	2.89%
Truck expense	162,836	2.01%
Freight	157,692	1.95%
Commissions - Bortz	153,771	1.90%
Rent	143,880	1.78%
Repairs & maintenance	128,961	1.59%
Plant expense	97,726	1.21%
Printing expense	83,666	1.03%
Tank testing & lab expense	80,401	.99%
Auto & Travel	55,345	.68%
Bad debts	46,255	.57%
Telephone & utilities	45,912	.57%
Depreciation	43,768	.54%
Payroll taxes	42,617	.53%
Professional services	40,882	.50%
Taxes & licenses	37,271	.46%
Business promotion	30,950	.38%
Office supplies	28,772	.36%
Computer expense	28,413	.35%
Advertising	16,420	.20%
Profit sharing expense	16,200	.20%
Employee welfare	11,167	.14%
Dues & subscriptions	10,424	.13%
Equipment rental	7,792	.10%
Seminars and meetings	3,085	.04%
Donations	<u>150</u>	<u>.00%</u>
Total operating expenses	\$ <u>2,534,921</u>	<u>31.28%</u>
Operating loss	\$ <u>(122,537)</u>	<u>(1.51%)</u>

See accountant's compilation report

ARCHER, BULMAHN, JENKINS & BOWLER
CERTIFIED PUBLIC ACCOUNTANTS

BR000188

ANGELES CHEMICAL COMPANY, INCORPORATED**STATEMENT OF INCOME****(UNAUDITED)****FOR THE YEAR ENDED APRIL 30, 1993**

		<u>% Of Sales</u>
OTHER INCOME OR (EXPENSE)		
Income split-Samson	138,889	1.71%
Terminating charges	33,166	.41%
Interest income	7,861	.10%
Gain on sale of assets	2,650	.03%
Miscellaneous income	1,338	.02%
Miscellaneous expense	(2,175)	(.03%)
Interest expense	<u>(5,818)</u>	<u>(.07%)</u>
Total other income	<u>175,911</u>	<u>2.17%</u>
 Income before income taxes	 53,374	 .66%
 Provision for income taxes	 <u>(4,131)</u>	 <u>(.05%)</u>
 Net income	 <u><u>\$ 49,243</u></u>	 <u><u>.61%</u></u>

See accountant's compilation report**ARCHER, BULMAHN, JENKINS & BOWLER**
CERTIFIED PUBLIC ACCOUNTANTS

BR000189

ANGELES CHEMICAL COMPANY, INCORPORATED

STATEMENT OF INCOME DETAIL

(UNAUDITED)

FOR THE YEAR ENDED APRIL 30, 1993

Solvents - sales	\$ 2,845,838	35.12%
Returns & allowances	<u>(260)</u>	<u>.00%</u>
Total sales	2,845,578	35.12%
Cost of sales	<u>2,200,421</u>	<u>27.15%</u>
Gross profit	\$ 645,157	7.96%
Packaging - sales	\$ 1,284,455	15.85%
Returns & allowances	<u>(11,866)</u>	<u>(.15%)</u>
Total sales	1,272,589	15.70%
Cost of sales	<u>948,121</u>	<u>11.70%</u>
Gross profit	\$ 324,468	4.00%
Bortz - sales	\$ 4,008,087	49.46%
Returns & allowances	(16,021)	(.20%)
Sales Discounts	<u>(6,896)</u>	<u>(.09%)</u>
Total sales	3,985,170	49.18%
Cost of sales	<u>2,542,411</u>	<u>31.37%</u>
Gross profit	\$ 1,442,759	17.80%
Total gross profit	\$ 2,412,384	29.77%

See accountants' compilation report

ARCHER, BULMAHN, JENKINS & BOWLER
CERTIFIED PUBLIC ACCOUNTANTS

BR000190

ANGELES CHEMICAL COMPANY, INCORPORATED
STATEMENT OF CASH FLOWS
(UNAUDITED)
FOR THE YEAR ENDED APRIL 30, 1993

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income		\$ 49,243
Adjustments to reconcile net income to Net		
Cash used in Operating Activities:		
Depreciation	\$ 43,768	
Equity in income of affiliate	(138,889)	
Decrease in accounts receivable	34,254	
Increase in inventory	(45,724)	
Increase in prepaid expense	(13,920)	
Decrease in drums inventory	8,288	
Decrease in accounts payable	(107,903)	
Increase in accrued expenses	49,385	
Decrease in customer deposits	(315)	
Increase in income tax payable	203	
Total adjustments		(170,853)
Net Cash used in operating activities		(121,610)

CASH FLOWS FROM INVESTING ACTIVITIES:

Employee advances	(13,452)	
Collections on employee advances	12,625	
Capital expenditures	(20,746)	
Distributions from affiliate	152,381	
Net cash provided by investing activities		130,808

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from note payable	153,083	
Repayment of note payable	(137,893)	
Net cash provided by financing activities		15,190
Net increase in cash		24,388
Cash at the beginning of the year		292,578
Cash at the end of the year		\$ 316,966

See accountants' compilation report

ARCHER, BULMAHN, JENKINS & BOWLER
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BR000191

APPENDIX II

B R A M S T E D T

and Associates Incorporated

Financial Consulting

Business Valuations

Financial Analysis

Qualifications of Bramstedt & Associates, Inc.

Eric M. Bramstedt, CFA, has over 30 years experience in the field of financial analysis, equity evaluations, securities analysis and investment banking. From 1967 to 1977 Mr. Bramstedt was a senior security analyst and officer of three San Francisco based institutional research firms including Sutro & Co. He has prepared well over 350 business valuations on closely held companies for merger and acquisition, gift and estate taxes, Employee Stock Ownership Plans (ESOPs), incentive stock option plans and others. These valuations have covered a broad industry scope of closely held and public companies including several Fortune 1000 listings. Mr. Bramstedt possesses in-depth knowledge of ESOP functions and valuation through fourteen years of extensive experience with four leading ESOP design and valuation firms--Menke & Associates, Kelso & Co., Houlihan, Lokey, Howard & Zukin, and Private Capital Corp. This experience includes work for an employee coalition's proposed ESOP buy-out of Eastern Airlines.

Mr. Bramstedt is an industry specialist in transportation, particularly trucking. As such, he has investigated the operations and appraised the business values of well over one hundred motor carriers, many of which are located in California. Clients have included major domestic and international transportation companies for acquisition and investment banking and other applications. Mr. Bramstedt is Director of the PCTB Consulting Group, a division of the Pacific Coast Tariff Bureau of San Francisco. As such, he is editor of CAL-TIPS, an annual operating and financial study of the California less-than-truckload business.

Mr. Bramstedt is a Chartered Financial Analyst (CFA) and a member of the Institute of Chartered Financial Analysts, the Association for Investment Management and Research, the Transportation Research Forum, the Pacific Coast Accounting and Finance Council, and is a charter and Board member of the Valuation Roundtable of San Francisco. He holds a Bachelor's Degree in Economics from Stanford University. He has written articles for industry periodicals and made public speaking appearances on transportation topics. Mr. Bramstedt has appeared as an expert witness before the California Public Utilities Commission and in civil court on matters of economic damages.

2402 Vista Del Mar Lane Tiburon, CA 94920-1208 Tel 415-435-9438 Fax 415-435-9438

114 Sansome St., Suite 808 San Francisco, CA 94104-3818 Tel 415-362-9900 Fax 415-362-6492

BR000193

ANCHOR

SALES	0	100%	8103 100%	8051 100%	0 100%	0 100%	0 100%
COGS	0	ERR	5471 70.2%	5399 70.2%	0 0%	0 0%	0 0%
GEN & ADMIN EXPEN	0	ERR	2335 31.3%	2307 31.3%	0 0%	0 0%	0 0%
OPER. INCOME	0	ERR	-123 -1.5%	-161 -2.0%	0 0%	0 0%	0 0%
INT. REVENUE	0	ERR	0 0.0%	0 0.0%	0 0%	0 0%	0 0%
INT. EXPENSE	0	ERR	0 0.0%	0 0.0%	0 0%	0 0%	0 0%
PBT	0	ERR	0 0.0%	0 0.0%	0 0%	0 0%	0 0%
TAX	0	ERR	0 0.0%	0 0.0%	0 0%	0 0%	0 0%
INTEREST	0	ERR	0 0.0%	0 0.0%	0 0%	0 0%	0 0%
EBIT	0	ERR	0 0.0%	0 0.0%	0 0%	0 0%	0 0%
CASH	0	ERR	317	292	0	0	0
DEPR. & AMORT	0	ERR	44	74	0	0	0
NET FIXED ASSETS	0	ERR	223	234	249	0	6
TOTAL ASSETS	0	ERR	3167	3161	2791	0	0
INT. DEBT	0	ERR	1350	1401	1755	0	0
TOTAL LIAB	0	ERR	1350	1401	1755	0	0
NET WORTH	0	ERR	1817	1760	1036	0	0
SALES/RECEIVS	ERR	ERR	5.12	5.23	ERR	ERR	ERR
SALES/WORKING CAP	ERR	ERR	5.14	5.46	ERR	ERR	ERR
COGS/INVENTORIES	ERR	ERR	6.17	6.98	ERR	ERR	ERR
DEBT/WORTH	ERR	ERR	0.74	0.79	ERR	ERR	ERR
BT PROFIT/WORTH	ERR	ERR	0.02	0.48%	0.00%	ERR	ERR
BT PROFIT/ASSETS	ERR	ERR	0.47%	0.51%	0.00%	ERR	ERR
NET FA T/O	0.00	ERR	0.00	0.00	0.00	ERR	ERR
TOT ASSET T/O	0.00	ERR	0.00	0.00	0.00	ERR	ERR
RET ON TOT CAP	ERR	ERR	3.06%	0.57%	ERR	ERR	ERR
RET ON ASSETS	0.00%	ERR	1.35%	0.17%	0.00%	ERR	ERR
RET ON EQUITY	0.00%	ERR	2.75%	0.78%	0.00%	ERR	ERR



10/25/93

Dear Eric;

Enclosed are the Financials I promised you. Unfortunately I haven't had time to review last years report as you asked but I will do that next week when I return from Atlanta.

Tim Mahoney

- F94 2950
F93 +350 A.W. 38 C.F.L.-
2950
F92 2750
F91 2750
F90 2500
+250 A.W.

Tim 818 - 585 - 0103

ANONEM CHEMICAL CO., INC.

8915 Sorenson Avenue • P.O. Box 2183 • Santa Fe Springs, California 90670
Telephone (213) 885-4386 • (213) 885-4386 (L.A.) • (714) 924-7888

FAV 3/0 698-7571 ✓ 3/0-945-8911 ✓

BR000195

Answer

4/30/93

B.V

1,809,450

dis (0%) 1,509,945

135,708

1,628,505

1,673,741

MTT dis (0%) 1,465,654

1,506,387

W.C. B.V. in arrears

Answer 1,509,000

Parsome Street Appraisers, Inc.

Morristown, New Jersey

*116 Parsome Street, Suite 808
San Francisco, California 94104-3818
(415) 362-3900
Fax (415) 362-6292*

December 2, 1993

Mr. Tim Mahoney
Angeles Chemical Co.
P.O. Box 2163
Santa Fe Springs, California 90670

Re: F1993 ESOP Valuation

Dear Tim:

It is my impression that your ESOP Form 5500 needs to be filed by mid-January, in which case I should prepare my valuation conclusion before people like John Locke, Ken La Conde and yourself get away for the Christmas holidays.

However, I am still waiting for your CPA's F1993 financial report (with statement of cash flows) and your update of the "Company" section from the F1992 ESOP report.

May I please hear from you soon.

Sincerely,


Eric M. Bramstedt

EMS:ew

cc: John Locke

BR000197

per the and prior reports
utilize adjusted book value and working capital is based on the factors discussed and the appraiser's experience and knowledge in deriving equity values of closely held companies. ①

At April 30, 1992, Anchem's ~~stated~~ *adjusted* book value was ~~\$1,750,227~~ and working capital was ~~\$1,465,367~~. Since Anchem has no long-term debt, this working capital basically accrues to the equity holders. (Cash and cash equivalents and receivables alone total \$1.87 million. Following the valuation methodology used in recent valuation studies and using ~~asset~~ *asset* liquidation discount and a 10% discount for restricted marketability produces an indicated fair market value of \$1,465,367, ~~or almost equal to~~ *almost equal to* working capital. ②

Adjusted Book Value Method
Anchem Chemical Co.
April 30, 1992 ③

\$1,809,450	Stated Book Value	10%	\$1,750,227	\$1,809,450
150,945	Less Liquidation Discount (7.5%)		132,025	132,708
1,618,505	Subtotal		1,618,191	1,603,741
162,850	Less Marketability Discount (10%)		161,819	147,374
\$1,465,655	Indicated Fair Market Value		\$1,465,367	1,500,367
\$1,512,761	Working Capital		\$1,465,367	1,512,761

Since the product of the adjusted book value methodology effectively accords no value to the Company's fixed assets and to business goodwill as a going concern, the appraiser believes this methodology understates the fair market value of the equity ownership of Anchem.

B In order to incorporate the economic worth of fixed assets and goodwill, B.A.E. has made up the average of the adjusted book value approach (\$1.46 mil) and working capital (\$1.58 mil) as \$1,500,000 by 10% as \$150,000 to produce an

indicated fair market value (FMV) for ESOP purposes of the equity ownership of Anchem as of April 30, 1992 of \$1,650,000 or ~~\$1,465,367~~ *1,650,000* a share (rounded) on 54,065 shares outstanding. This working capital premium is consistent with that of the three prior years and the FMV is 22% of book value and 20% of sales (see page 2). ④

21. *B No specific attempt has been made by B.A.E. to quantify Anchem's business goodwill created by over two decades of operation.*

① Should the company "book" the underlying real estate with the related interest for 1944 as now planned, the valuation method would be reversed.

② The liquidation dividend has increased to 10% as the last dividend for the cash payment of working capital dropped.